

Date of Hearing: August 3, 2016

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

SB 1425 (Pavley) – As Amended August 1, 2016

Policy Committee: Natural Resources Vote: 9 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill requires CalEPA to enter into contract with The Climate Registry, to develop a voluntary registry of greenhouse gas (GHG) emissions resulting from the water-energy nexus using the best available data. This bill allows entities participating in the registry to qualify for financial incentives consistent with the AB 32 investment plan.

FISCAL EFFECT:

- 1) Increased ongoing annual costs of approximately \$130,000 (1PY) for CalEPA to oversee the development of the voluntary registry (GF or special fund.)

This bill requires CalEPA to execute a sole source contract with The Climate Registry. Without the ability to competitively bid a contract for registry services, there may be little control over the overall cost impact. As written, a water-energy registry would be voluntary, thus CalEPA staff would likely work closely with The Climate Registry to engage water-energy stakeholders, train them, and regularly update them on program opportunities and improvement.

- 2) CalEPA estimates annual contracting costs of \$250,000 for three years or more (GF or special fund).
- 3) The Climate Registry estimates the following costs (GF or special fund):
 - a) One-time cost totaling between \$600,000 and \$700,000 over two years to convene a multi-stakeholder protocol process to develop a protocol for the water-energy nexus quantification and build an SAS tool based on the protocol.
 - b) Ongoing annual cost of between \$250,000 and \$300,000 for software support and maintenance, protocol maintenance and new software modules to incorporate updated protocols.
 - c) Additional miscellaneous annual costs depending upon the number of services and participants ranging between \$50,000 and \$250,000.

The Climate Registry would likely charge a service or membership fee to water agencies. It is important to note the AB 32 Cost of Implementation Account may be proposed for the purposes of this bill, however it is a fund derived from fees on covered entities and may not be appropriate for this purpose.

COMMENTS:

- 1) **Purpose.** According to the author, this bill establishes a voluntary emissions repository for projects that reduce the carbon intensity of California's water system. This new registry will allow entities such as water agencies, large water consumers, businesses and others to voluntarily track, measure, and baseline their GHG emissions resulting from the water-energy nexus.
- 2) **Water-Energy Nexus.** According to the California Energy Commission (CEC), water-related energy use in California consumes approximately 20% of the state's electricity and 30% of the state's non-power plant natural gas. The water sector uses electricity to pump, treat, transport, deliver, and heat water.

Electric utilities are required to disclose the sources of the electricity they sell. However, this requirement does not extend to water utilities that do not also provide retail electricity. An April 2015 report from the Union of Concerned Scientists titled, Clean Energy Opportunities in California's Water Sector, found that although some water and wastewater utilities independently report the sources of their electricity, the information is not compiled in a standardized format or updated on a regular schedule across the water sector.

Because of this data gap, the report states that: 1) it is difficult to get a clear picture of the amount and type of electricity California's water and wastewater utilities rely on; and 2) this information gap makes it difficult to understand how the water sector's electricity choices impact global warming emissions and the state's efforts to decarbonize the electricity sector.

- 3) **The Climate Registry and its Predecessor.** SB 1771 (Sher, Chapter 1018, Statutes of 2006) required the Secretary of the Resources Agency to establish the California Climate Action Registry as a public benefit nonprofit corporation that would record and register voluntary GHG emission reductions made by California entities after 1990. Following the enactment of the Global Warming Solutions Act of 2006 (AB 32, Chapter 488, Statutes of 2006) and the mandatory GHG registration requirements, The California Climate Action Registry closed in December 2010. The Climate Registry formed as the successor agency. It is a nonprofit organization, whose board of directors comprises over 50 representatives from U.S. states and Canadian provinces and territories. The Climate Registry offers tools and services for organizations to measure, verify and report the carbon in their operations. According to the author, the registry is already doing much of the work outlined in the bill.
- 4) **Suggested Clarification.** This bill allows registrants to qualify for incentives to reduce GHG emissions consistent with the AB 32 investment plan. The author may wish to consider an amendment that clarifies registrants must also meet all other requirements of incentive programs and are not given funding priority by participating in the registry.