

Mayor
William Siegel
Mayor Pro Tem
Lois Wynne
Council Members
Eddie Neal
Willard Rodarmel



**Office of the
City Manager**

119 Fox Street
Lemoore, CA 93245
Phone (559) 924-6700
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Staff Report

ITEM 2-5

To: Lemoore City Council
From: Jeff Laws, City Manager
Date: July 31, 2014
Subject: Resolution 2014-22 Urging an Implementation Delay in the Fuel Increase Portion of the Cap-And-Trade Program

Discussion:

Mayor Pro Tem Wynne, along with William J. Muñoz from the Office of Assembly Member Rudy Salas' office brought forth information to support amended Assembly Bill 69 (Perea) Fuels under the Cap Delay. This bill would delay the implementation in the fuel increase portion of the cap-and-trade system for one compliance period, or three years, while maintaining the current structure of the program.

We share the concern of others that the impacts of this regulation will come as an unpleasant surprise to the individuals and businesses forced to absorb the higher costs for gasoline and diesel, on top of fuel costs that are already among the nation's highest.

We believe this expanded regulation must not happen until the California Air Resources Board (CARB) fully and transparently assesses and communicates the effects of the expansion to the public. This is necessary to ensure that the public fully understands the impacts on individuals and to the state's economic well-being.

AB 69 provides a reasonable and welcome respite from the planned January 2015 cap and trade expansion, giving CARB staff more time to evaluate consumer and businesses impacts, to ensure consumer protections from cost increases of transportation fuels and to implement a vigorous public information effort. AB 69 also provides CARB additional time to consider alternative approaches to reduce greenhouse gas emission from the transportation sector – alternatives that would have fewer adverse impacts for consumers and businesses.

Budget Impact:

None.

Recommendation:

That Council, by motion, approve Resolution 2014-22 Urging an Implementation Delay of the Fuel Increase Portion of the Cap-And-Trade Program and authorize the Mayor to sign the letter of support.

RESOLUTION NO. 2014-22

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMOORE
CALLING UPON THE LEGISLATURE, THE ADMINISTRATION OF GOVERNOR
JERRY BROWN AND THE CALIFORNIA AIR RESOURCES BOARD TO DELAY THE
IMPLEMENTATION OF THE FUEL INCREASE PORTION OF THE CAP-AND-TRADE
PROGRAM**

At a Regular Meeting of the City Council of the City of Lemoore duly called and held on August 5, 2014 at 7:30 p.m. on said day, it was moved by Council Member _____, seconded by Council Member _____, and carried that the following Resolution be adopted.

WHEREAS, we the City of Lemoore are concerned about the impact of the fuels-under-the-cap regulation on the City of Lemoore, and the increased price of fuel for consumers; and

WHEREAS, AB 69 (Perea) Fuels Under the Cap Delay – would delay the inclusion of transportation fuels under the cap-and-trade system for one compliance period, or three years, while maintaining the current structure of the program; and

WHEREAS, any increase in the price of fuel will serve to hurt the most vulnerable members of our communities who must continue to commute and drive long distances for services like healthcare, and who are least able to diversify their transportation options; and

WHEREAS, California is still in the early stages of its economic recovery and a price increase on fuel will serve to weaken the economic recovery; and

WHEREAS, professional estimates put the probable increase in the price of gas between .16 and .76 cents a gallon; and

WHEREAS, low-income Californians will be hurt the most by such a price increase; and

WHEREAS, the majority of Californians are unaware that this price increase is coming; and

WHEREAS, the state's greenhouse gas reduction goals are already well on track and will not be helped by this price increase.

NOW, THEREFORE, BE IT RESOLVED that this organization call upon the Legislature, the administration of Governor Jerry Brown and the California Air Resources Board to delay the implementation of this portion of the cap-and-trade program so that Californians may have more time to prepare.

PASSED AND ADOPTED by the City Council of the City of Lemoore at a regular meeting held on the 5th day of August 2014 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

ATTEST:

APPROVED:

Mary J. Venegas, City Clerk

William M. Siegel, Jr., Mayor

Mayor
William Siegel
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Lois Wynne
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**Office of the
Mayor**

119 Fox Street
Lemoore, CA 93245
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August 1, 2014

The Honorable Henry Perea
California State Assembly
State Capitol
Sacramento, CA 95814

Dear Assembly Member Perea:

The City of Lemoore strongly supports your amended Assembly Bill 69 to delay for three years expansion of California's cap and trade program to transportation fuels. We share your concern that the impacts of this regulation will come as an unpleasant surprise to the individuals and businesses forced to absorb the higher costs for gasoline and diesel on top of fuel costs that already are among the nation's highest.

This expanded regulation must not happen until the California Air Resources Board (CARB) fully and transparently assesses and communicates the effects of the expansion to the public. This is necessary to ensure that the public fully understands the impacts on individuals and to the state's economic well-being.

Families and businesses still struggling to emerge from the difficult economy need to know that fuel costs likely will increase by 16 cents to 76 cents, according to CARB's own economic analysis. CARB also must make it clear that its cap and trade program will introduce increased volatility into the state's gasoline and diesel markets that could trigger major swings to fuel prices, in addition to the 68 cents a gallon we already pay in state and federal fuel taxes.

Increased fuel costs disproportionately affect individuals and families least able to afford them. Many of hard working, low-income Californians rely on vehicles -which are often older and less efficient - to get to work and put food on the family table. Residents of rural areas who typically commute farther from home to work and where alternative transportation is less available take a harder hit from higher gas prices. Some of these Californians already spend up to 40 percent of their family incomes on transportation and can ill-afford the added costs this regulation will impose on them.

AB 69 provides a reasonable and welcome respite from the planned January 2015 cap and trade expansion, giving CARB staff more time to evaluate consumer and businesses impacts, to ensure consumer protections from cost increases of transportation fuels and to implement a vigorous public information effort. AB 69 also provides CARB additional time to consider alternative approaches to reduce greenhouse gas emission from the transportation sector - alternatives that would have fewer adverse impacts for consumers and businesses.

In order to remedy the inadequate evaluation and disclosure of potential fuel price increases and related impacts associated with expanding the cap and trade program to transportation fuels, AB 69 is worthy of broad, bi-partisan support and we thank you for coming forward with this courageous amendment.

Sincerely,

William M. Siegel, Jr., Mayor

"In God We Trust"

FAQS ABOUT FUELS UNDER THE CAP

WHAT IS THE 'FUELS UNDER THE CAP' REGULATION?

In January 2015, California's market-based program to lower carbon emissions (known as "cap and trade") will be expanded to include gas and diesel fuels. Bringing "fuels under the cap" will increase the cost of gasoline by up to 40 cents or more per gallon. This gas price increase will be in addition to the 70 cents per gallon Californians already pay in gas taxes – the highest in the nation. Former leader of the state Senate, Darrell Steinberg (D-Sacramento), has said including transportation fuels under the state's cap-and-trade program could "bring spikes and wild fluctuations in gas prices," meaning gas prices could increase at any given time and without warning. At 40 cents per gallon, Californians would, on average, pay \$7.00 more to fill up their tanks.

WHAT DOES THE PUBLIC KNOW ABOUT THIS REGULATION?

There have been no efforts by the California Air Resources Board (CARB) to inform the public about this price increase, despite the significant cost impacts to motorists, businesses engaged in transporting goods, and families. A recent poll found that nearly 70 percent of Californians are unaware of the expansion of this program to cover fuels.

WHY SHOULD THE PROGRAM BE DELAYED?

Delaying this program to allow time for state regulators to educate consumers and conduct a full study of the economic impacts and potential alternatives will not threaten California's ability to meet its environmental goals. It is important to note that California is currently on track to meet its greenhouse gas emission reduction goals without the inclusion of transportation fuels in the cap and trade program.

WHO WILL BE HURT MOST BY THIS REGULATION?

Working families, small businesses and lower income consumers. These are the very people who can least afford to pay more at the pump or immediately purchase newer vehicles. "Fuels under the cap" aims to make gas more expensive to encourage people to change behavior. With the average price of gas already around \$4.00/gallon, those who can afford to buy more fuel efficient cars or change behavior to drive less or take public transit are already doing so.

WHAT OTHER EFFECTS WILL THIS HAVE?

Including gasoline and diesel fuel in the cap-and-trade program will have a ripple effect on our state's economy – costing jobs and increasing the price Californians pay for food, electricity, and other essential goods and services. The economy is recovering, but it is still very vulnerable. California cannot afford to implement new regulations that could hamper our full economic recovery.

Viewpoints: Sticker shock coming at the gas pump

By [Jay McKeeman](#)
Special to The Bee

Published: Thursday, Jun. 19, 2014 - 12:00 am

Congratulations to the state Legislature for passing an on-time budget!

As always, though, the fine print reveals troubling details. A significant problem is that billions of dollars allocated to this and future budgets are new monies that will be coming straight from consumers, thanks to a state program most Californians have never heard of.

California's cap-and-trade system, which requires so-called polluters to purchase allowances to offset carbon emissions, has been in effect for nearly two years. To date, it has raised hundreds of millions of dollars over which Gov. Jerry Brown, legislators and special interests have been jockeying for months about how to spend.

Starting next year, however, revenues from cap and trade are expected to jump from the millions to between \$3 billion and \$5 billion. That's because gasoline and diesel will be included in the cap-and-trade program. This means those "polluters" who will be footing the financial windfall for the state aren't smokestack industries, but California drivers.

A recent poll found that nearly 70 percent of Californians are unaware of this "fuels under the cap" program and the direct impact it will have on their pocketbooks – despite the fact its start date is a little more than six months away. This is hardly surprising given that the California Air Resources Board, which oversees cap and trade, has made no effort to inform fuel consumers about this program.

Instead, the focus of Brown and the Legislature has been how to spend Californians' hard-earned dollars. Front and center in this debate was Sen. Darrell Steinberg, who just a few months ago spoke of the "spikes and wild fluctuations in gas prices" that this program could cause. He then changed his tune, leading the bandwagon on how to spend the billions raised from these price spikes.

So here is the key question: How much more will drivers pay at the pump?

According to a 2010 economic analysis commissioned by CARB, gas prices are expected to increase between 4 percent and 19 percent as a result of cap and trade. With gas hovering around \$4 a gallon in most regions of the state, this translates to 16 to 76 cents more per gallon. Under this scenario, it's not hard to imagine a day very soon when it will cost \$100 for a tank of gas.

With some of the highest gas prices in the nation, most Californians who can afford to buy a more fuel efficient car or change their driving patterns have already done so. This program will be just one more hit on the average hard-working family who can least afford to spend more of their monthly income on fuel.

Unfortunately, trying to persuade the governor and Legislature to step back and review this hidden tax – unknown to the public and coming quickly in early 2015 – during an election year is an uphill battle.

Yet, perhaps there is a silver lining here. At least these budget conversations are finally bringing to light what's coming down the pike for California drivers. Now it's time for drivers to speak up, or be prepared to pay up.

Jay McKeeman is vice president of government relations and communications for the California Independent Oil Marketers Association.

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Assembly California Legislature



HENRY T. PEREA
ASSEMBLYMEMBER, THIRTY-FIRST DISTRICT

COMMITTEES
CHAIR: INSURANCE
BANKING AND FINANCE
ELECTIONS AND REDISTRICTING
GOVERNMENTAL ORGANIZATION

June 16, 2014

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Impact of cap-and-trade program on fuel costs

Dear Chair Nichols:

We are concerned about the impact of the AB 32 cap-and-trade program on our constituents. Fuel prices for consumers are going to be driven up once fuel is covered under cap-and-trade at the start of next year, weakening the economy just as California is recovering from the last recession, and hurting the most vulnerable members of our communities who must commute to work and drive long distances for necessary services like medical care. We request that you delay expanding the cap-and-trade program to cover transportation fuels or at least change the program so that it does not unnecessarily increase fuel costs in order to generate revenue for the State.

Beginning January 1, 2015, greenhouse gas (GHG) emissions from transportation fuels are going to be subject to the California Air Resources Board (CARB) cap-and-trade program. This will cause an immediate jump in prices at the pump. There are various estimates for how much the price spike will be, but an increase of about fifteen cents per gallon is likely and a much larger jump is possible. Even a small increase in fuel prices hurts low income Californians. Many of the areas we represent are still struggling with double digit unemployment. Residents of our districts often need to drive long distances and they will be disproportionately impacted.

AB 32 set environmental goals for the State, limiting GHG emissions to 1990 levels by 2020. CARB is responsible for implementing a program that achieves this goal and designed cap-and-trade for that purpose. Currently, CARB gives away some carbon credits to entities covered by the cap-and-trade program and then sells additional credits, generating revenue for the State. Meeting the GHG emissions goal of AB 32 does not require the cap-and-trade system to take money from fuel consumers and give it to the State. CARB is not planning to give any carbon credits to drivers in California, instead selling all the credits which will give the State billions of dollars in revenue that can only be used for GHG reduction. Cap-and-trade achieves the emissions goal by virtue of the "cap" alone – all the carbon credits can be allocated for free, allowing low emitters to benefit by selling their credits to others and not drawing extra dollars out of the economy unnecessarily.



We urge you to reconsider the design of the cap-and-trade program so that California avoids unnecessarily increasing fuel costs and putting the brakes on our economic recovery. AB 32 does not mandate that CARB create a program that generates revenue for the State and it was not intended to be a funding mechanism for massive, new State efforts at GHG reduction. Thank you for your consideration of this issue. Please do not hesitate to contact us if you have any questions.

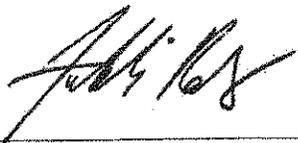
Sincerely,



HENRY T. PEREA
Assemblymember, 31st District



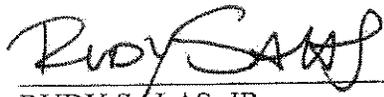
CHERYL R. BROWN
Assemblymember, 47th District



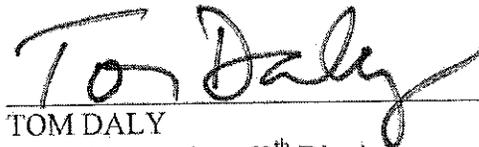
FREDDIE RODRIGUEZ
Assemblymember, 52nd District



ISADORE HALL III
Assemblymember, 64th District



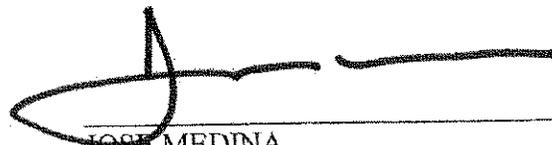
RUDY SALAS, JR.
Assemblymember, 32nd District



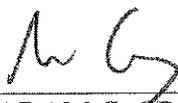
TOM DALY
Assemblymember, 69th District



SUSAN A. BONILLA
Assemblymember, 14th District



JOSE MEDINA
Assemblymember, 61st District



ADAM C. GRAY
Assemblymember, 21st District



CHRISTINA GARCIA
Assemblymember, 58th District

Letter to CARB Chair Nichols regarding fuels under cap-and-trade

June 16, 2014

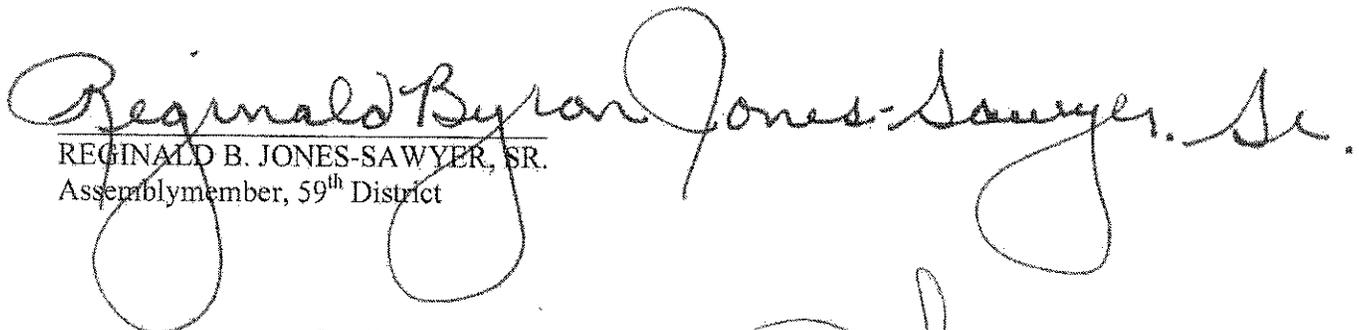
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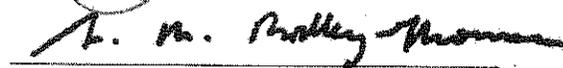
ROGER HERNANDEZ
Assemblymember, 48th District



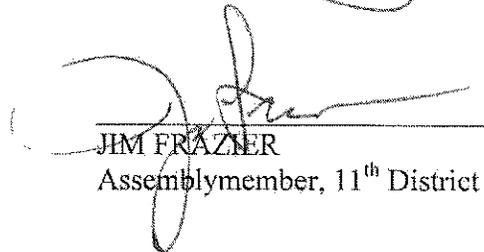
MATTHEW DABABNEH
Assemblymember, 45th District



REGINALD B. JONES-SAWYER, SR.
Assemblymember, 59th District



SEBASTIAN RIDLEY-THOMAS
Assemblymember, 54th District



JIM FRAZNER
Assemblymember, 11th District



JOAN BUCHANAN
Assemblymember, 16th District

cc: Members of California Air Resources Board
Jennifer Gress, Legislative Director, California Air Resources Board