

## 2014 Council Study Issue

### ESD 14-04 Full Cost-Analysis and Carbon Pricing in City Operations

**Lead Department** Environmental Services Department

**Sponsor(s)** Sustainability Commission

**History** 1 year ago: 2 years ago:

1. **Scope of the Study**

a. What are the key elements of the study?

In the evaluation of various options for choices made in city operations, the true cost of the alternatives does not monetize the environmental impacts as part of the analysis. For instance, in evaluating various vehicles purchases, the lifecycle cost used does not monetize environmental impacts; rather they are treated separately and somewhat optionally as quality measures. Clearly, as the climate changes, we are recognizing that there are economic impacts associated with the choices made, but those costs have not been related directly back to the actions.

Recently, James Hanson (former NASA director) suggested that measures of CO<sub>2</sub>e can be used as one of these criteria. Dr. Hanson recommended that, today, a cost of \$20/metric ton of CO<sub>2</sub>e be used, and that the cost be increased year by year at a rate greater than inflation until it reaches \$100/MTCO<sub>2</sub>e at current currency rates. His recommendation was that for now a 6% increase per year would be sustainable and appropriate until that \$100 figure is achieved. (At \$100/MTCO<sub>2</sub>e, if applied to gasoline, one gallon would cost roughly \$1.00 more over current prices.) Barbara Boxer, sponsor of Climate Protection Act S. 322 and Steven Chu, former Energy Secretary, both of California, have agreed that monetizing decisions is the single most effective way to rationalize environmental controls.

This study issue combines two related study issues proposed by the Sustainability Commission that would identify what the City can do to 1) determine, in monetary terms, the relative environmental impacts and comprehensive, true lifecycle costs of operational decisions and determine how these environmental costs can be factored into the City's decision making process, and 2) establish a reasonable price for carbon emissions (in \$/ton carbon over the lifecycle of the product) to be factored in when the City purchases vehicles and major equipment.

The study would develop the procedures and practices necessary to incorporate the environmental costs and price of carbon purchasing decisions starting with major purchases such as vehicles or major equipment. As part of this study, staff would determine:

- Operational activities where monetization would be required
- Basic methods and techniques to be used in regard to associating costs to GHG emissions, including a price for carbon
- Identify examples of recently implemented decisions that may be used as learning experiences by providing a contrasting analysis to decisions planned but not yet implemented
- Identify how existing carbon trading regulations might impact City operations in the future

b. What precipitated this study?

This study was proposed by the Sustainability Commission.

c. Is this a multiple year project? No Planned Completion Year 2014

2. **Fiscal Impact**

a. Cost to Conduct Study

i. Level of staff effort required (opportunity cost)

Major  Moderate  Minor

ii. Amount of funding above current budget required \$25,000

Will seek budget supplement  Will seek grant funding

iii. Explanation of Cost: If approved, costs associated with this study will be the result of consultant services to research this monetization concept and how it would apply to operational activities. Staff time would be associated with the consultant selection process and review of future impacts on City operations based on the consultant's work. Because the study includes the determination of a pricing value for carbon in purchasing decisions, it is expected that whatever price is determined will raise the City's cost of purchases (for lower carbon-emitting products or services) compared to current purchasing procedures.

b. Costs to Implement Study Results

No cost to implement.

Unknown. Study would include assessment of potential costs.

Some cost to implement. Explanation:

3. **Expected participation in the process**

Council-approved work plan

Council Study Session

Board/Commission Review by: Sustainability Commission

4. **Staff Recommendation**

a. Position: Drop

b. Explanation: Staff recommends dropping this study issue. Staff expects that this issue will be addressed after adoption of the Climate Action Plan. Resources will need to be identified in the budget for CAP implementation including this evaluation.

Reviewed By:

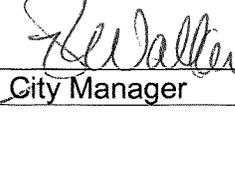


Department Director

10-31-13

Date

Approved By:



City Manager

11-4-13

Date