

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Amending Resolution 9486 to Increase the Purchase Amount of Greenhouse Gas Allowances in the California Cap-and-Trade Auction to Satisfy the City's Gas Utility Compliance Obligations to an Amount Not-to-Exceed of \$6,000,000 per Year

## RECITALS

A. The California Air Resources Board (CARB) has been authorized by California Assembly Bill 32 (AB 32) to develop regulations, including the Cap-and-Trade Program, to reduce California's greenhouse gas (GHG) emissions to 1990 levels by 2020. With the passage of AB 398 in 2017, the Cap and Trade Program was extended to 2030. The Program is working as designed and has been adjusted to double in stringency beginning in 2021 to help the State achieve the 2030 GHG Reduction Target of at least 40% below 1990 levels. In 2022, AB 1279 further required the state to reduce GHG emissions by 85% below 1990 levels and achieve carbon neutrality by 2045.

B. [Resolution 9486](#)<sup>1</sup> authorized the City Manager (or their designee) to procure GHG allowances from CARB-run auctions in the amount not to exceed \$4,000,000 per year for the gas utility, and in the amount not to exceed \$250,000 per year for the electric utility.

C. Regulatory changes described above have increased the gas utility's cost of complying with the Cap and Trade regulation, as the number of free allowances allocated to the City's gas utility decreases annually, and the number of allowances in the market decreases over time.

D. As a result, Staff projects that the purchases of gas allowances in calendar year 2024 may exceed the current authority of \$4,000,000 per year.

E. Staff recommends that Council amend Resolution 9486 to increase the City's current gas allowance purchase authority from \$4,000,000 per year to \$6,000,000 per year, which will allow the City to continue to meet its gas utility compliance obligation by purchasing allowances for the next 3 years.

F. No other changes to Resolution 9486 are proposed.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PALO ALTO RESOLVES AS FOLLOWS:

SECTION 1. Section 1 of Resolution 9486, adopted on January 20, 2015, is hereby amended to read as follows:

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<sup>1</sup> Resolution 9486: <https://portal.laserfiche.com/Portal/DocView.aspx?id=10157&repo=r-704298fc>

“Pursuant to Section 2.30.340(b) of the Palo Alto Municipal Code and consistent with Section G of the City's Energy Risk Management Policy, the Council hereby authorizes the City Manager or their designee, the Director of Utilities, on behalf of the City to purchase Allowances in the CARB Allowance auction (a) to meet the City's gas utility GHG actual and/or forecast compliance obligation for the gas utility, (b) in an amount not to exceed \$6,000,000 per year, and (c) where the maximum term of any Allowance transaction shall not exceed three (3) years, commencing on the date of execution of the transaction.

SECTION 2. All other sections of Resolution 9486 remain in effect.

SECTION 3. The Council finds that the adoption of this resolution does not meet the definition of a project under the California Environmental Quality Act (CEQA) pursuant to California Public Resources Case Section 21065, and therefore, no environmental assessment is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Assistant City Attorney

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Director of Utilities

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Director of Administrative Services