



To: Public Works and Transportation Committee **Date:** June 26, 2012
From: Cecilia Achiam, MCIP, BCSLA **File:** 01-0370-01/2011-
Interim Director, Sustainability and District Vol01
Energy; Senior Program Manager, CPMG,
CAO's Office
Re: **Reaching Carbon Neutrality – Corporate Greenhouse Gas Emissions
Inventory to Include Direct Emissions**

Staff Recommendation

1. That the City continues its current practice to only include emissions from direct activities in its corporate greenhouse gas emission inventory at this time.
2. That a letter be sent to the Joint Provincial–UBCM Green Communities Committee, requesting that amendments be made to the “*Guidance on Including Contracted Emissions in Local Government Corporate Inventories*” to resolve inequities, ensure that no new costs are borne by local governments without adequate funding and that action is being directed towards appropriate priorities.

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Atts: 2

REPORT CONCURRENCE			
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER	
Finance	<input checked="" type="checkbox"/>		
Fleet	<input checked="" type="checkbox"/>		
Engineering	<input checked="" type="checkbox"/>		
Public Works	<input checked="" type="checkbox"/>		
REVIEWED BY SMT SUBCOMMITTEE	INITIALS: 	REVIEWED BY CAO	INITIALS:

Staff Report

Origin

The City of Richmond has committed to becoming carbon neutral in its operations. The purpose of this report is to provide an update on the City's carbon neutral agenda and recommend a response to a recent proposal by the Province to include emissions from contracted services in the City's corporate greenhouse gas emissions inventory. This report recommends that the City continue to include emissions from direct services only at this time.

This report supports the Council Term Goal pertaining to sustainability:

Council Term Goal #8.1: *“Continued implementation and significant progress towards achieving the City's Sustainability Framework, and associated targets.”*

Background

The City's Approach to Carbon Neutrality

In broad terms, carbon neutrality involves two main actions: reducing greenhouse gas emissions originating from operations and making investments to “offset” or compensate for unavoidable emissions. Compensatory measures are made in areas external to an organization's core service activities. Investments that reduce greenhouse gas emissions within a core service area are reductions and decrease the amount of compensation required.

The City's target to achieve carbon neutrality originated from the City's decision to sign the BC Climate Action Charter, a voluntary agreement among the Province, UBCM and local governments. The Charter commits local government to becoming carbon neutral in civic operations by 2012; measuring and reporting on their community greenhouse gas emissions profile; and, creating complete, compact and more energy efficient communities.

The City's carbon neutral commitment is 1 of 5 climate change response targets adopted by Richmond Council as part of the City's Sustainability Framework (**Attachment 1**). Formally embedding carbon neutrality as one target within a broader sustainability agenda means that the City of Richmond is able to advance carbon neutrality within a complete and balanced approach to sustainability¹.

In 2011, Richmond Council adopted a Carbon Responsible Strategy in 2011 to guide City action in implementing carbon neutrality (**Attachment 2**). This Strategy aims to ensure that:

- Public funds are used appropriately and that local tax dollars are invested in the Richmond community (i.e., enables carbon offsets to be invested locally);
- Carbon neutrality is fiscally sustainable for local governments (e.g., focuses on high value action, minimizes administrative costs, enables municipalities to reduce their own greenhouse gas emissions and costs over time, recognizes and values local government policy and community capacity action);
- An appropriate level of investment is directed to carbon neutrality in proportion to investment needs in other areas; and,

¹ A key factor of consideration is ensuring that the City does not invest in carbon neutrality, which focuses on about 1% of overall community-based emissions, at the expense of broader action that is of higher priority and yield greater results.

- An appropriate level of investment is directed at both creating less harm such as reducing greenhouse gas emissions and creating healthier conditions such as increasing carbon sequestration.

Emerging Provincial Climate Neutral Framework

The Province has been working with a joint committee, the Green Communities Committee (GCC) with representatives from UBCM and local governments, to develop a framework for establishing a carbon neutral protocol. A number of measures have been taken to influence framework development and incorporate local government interests. Much progress has been made, including:

- Introduction of a Provincial program (Climate Action Revenue Incentive Program – CARIP) that enables local governments who have signed the Charter to be reimbursed for their carbon tax expenditures²;
- A change in Provincial direction to include the option for local community investment; and,
- The announcement of a “Making Progress” option that recognizes that the Carbon Neutral Framework is still under developed and enables municipalities to meet commitments in the Climate Action Charter without formally achieving carbon neutrality by 2012.

Proposed New Provincial Guidelines to Include Contracted Emissions

Recently, the Province released new guidelines proposing that local governments include emissions from contracted services in their emission inventories. The proposal is for local governments to include a requirement for vendors of certain contracts to provide fuel use consumption to the City. The City would then be required to offset these emissions by investing monies in activities to compensate for emissions generated from the fuel use from contracted services. This proposal is outlined in the Province’s new “*Guidance on Including Contracted Emissions in Local Government Corporate Inventories*”.

Analysis

The intention of the Province is to ensure that a level playing field exists among local governments. Many local governments deliver all or some of their services directly while others deliver the same activities through contracted parties. Currently, local governments have only included emissions from activities they deliver directly in their corporate greenhouse gas emissions inventories. To ensure equity, the Province is seeking that greenhouse gas emissions from the same suite of activities, regardless of whether they are delivered directly or via contract, be included.

² In Richmond, carbon tax reimbursements are directed into a Carbon provisional Account. This account was established by Council to support activities to meet corporate carbon neutrality, including certain corporate greenhouse gas emission reduction action and specific local community-based greenhouse compensation action. The account also provides the option to purchase some external offsets (investments outside of the Richmond community) should Council choose to do so.

However, there are 2 key concerns with the current approach for including contracted emissions:

1. Increased Costs without Revenue Source/ Generation of New Inequities

The inclusion of emissions from contracted services has replaced one inequitable situation with another. Through the CARIP, local governments receive carbon tax refunds on fuels purchased for the delivery of direct services. However, local governments do not receive any tax refunds if the same service is delivered by a contractor. In this case, the carbon tax is paid by the contractor but remains with the Province. In this respect, local governments who contract services have an additional cost to pay, lowering their financial ability to achieve carbon neutrality³.

2. Administrative Burden/ Diversion of Resource Away from Higher Value Action

It is anticipated that collecting emission data from contracted services will require significant time and increase costs for local governments and contractors. While local governments may expend substantial effort to implement the collection and storage of fuel use data, they are unlikely to have meaningful influence over reduction of greenhouse gas emissions from contractors. As such, including emissions from contractors is likely to divert local government attention and resources away from areas of higher impact such as reducing emissions from corporate sources under direct control and investing in community-based initiatives that advance sustainability.

Recommended Response by the City of Richmond

Given the above concerns, it is recommended that the City of Richmond:

1. Continues its current practice to include emissions from direct activities only at this time;
2. Sends a letter to the Joint Provincial–UBCM Green Communities Committee, requesting that amendments be made to the “*Guidance on Including Contracted Emissions in Local Government Corporate Inventories*” to resolve inequities, ensure that no new costs are borne by local governments without adequate funding and that action is being directed towards appropriate priorities.

This approach enables the City to remain aligned with the City’s Carbon Responsible Strategy and work towards meeting its carbon neutrality commitment in a more sustainable manner. Staff will continue to work with the Province, the UBCM, Metro Vancouver and other local governments.

One option currently being explored is to enable local governments to be reimbursed for the carbon tax associated with contracted services. The City can choose to include emissions from contracted services at a later time should changes occur. Staff will provide an update on Richmond’s overall progress towards carbon neutrality in late Fall 2012.

Financial and Other Implications

The specific request to include fuel use from contracted services as part of corporate inventories without carbon tax re-imburement will increase costs. The recommended response avoids these costs and enables the City to continue to direct resources towards action with high greenhouse emission reduction benefit.

³ In one municipality, including contracted services was estimated to increase costs by \$75,000 each year.
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It is possible that local governments who do not include contracted services will not be recognized for achieving carbon neutrality by the Province. However, given the “Making Progress” option, this outcome is not expected to result in significant impact for the City. In particular, it will not impact the City’s existing carbon tax reimbursement.

The recommended approach does support the City in meeting carbon neutrality effectively in the future. This is because it allows the City to focus resources on reducing its corporate greenhouse gas emissions and reduce the amount that needs to be compensated for over time. The alternative, including fuel use from contracted services without a revenue source, will make it more difficult to achieve carbon neutrality.

Financial Impact

None

Conclusion

Demonstrating corporate leadership in doing its part to protect the climate and avoid dangerous levels of climate change, the City of Richmond committed to achieving carbon neutrality in its corporate operations.

Carbon neutrality is a relatively new concept and best management practices are developing. To ensure that carbon neutrality is advanced in a way that is itself inherently sustainable (e.g., can be supported over the long-term, uses fiscal resources wisely, doesn’t come at the expense of other important sustainability objectives, etc.), Richmond Council adopted a made-in-Richmond “Carbon Responsible Strategy”.

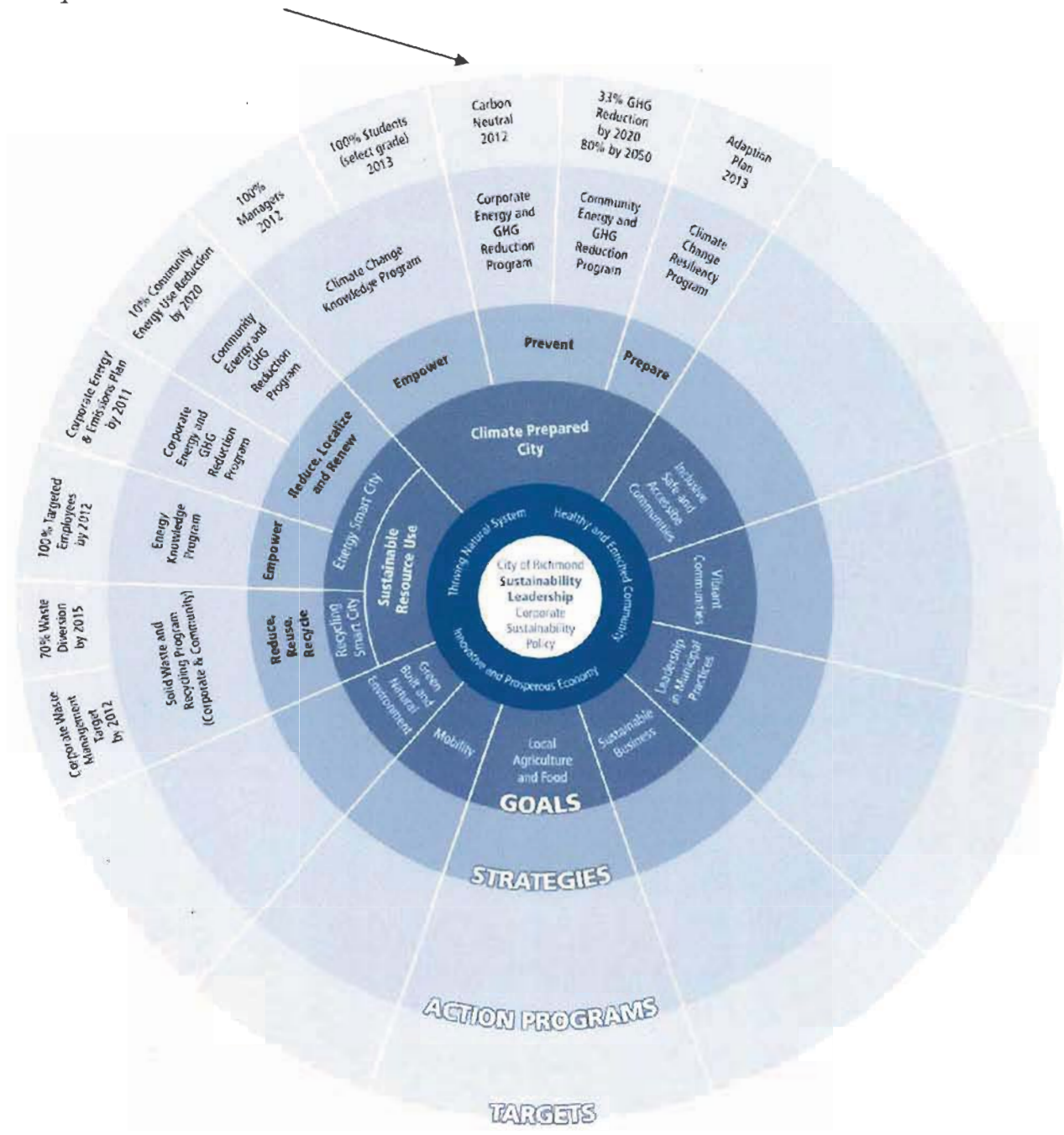
A recently developed guideline by the Province for including emissions from contracted services creates inequities, increases costs and diverts attention away from higher priority action. This report recommends that the City of Richmond continue with its current practice of including direct emissions only.



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City of Richmond's Corporate Sustainability Framework – Carbon Neutral Commitment –

*City's carbon neutral commitment
for corporate emissions*



Reaching Carbon Neutrality: City of Richmond's Carbon Responsible Strategy

Guiding Principles

- *Focus on Sustainability* (advance carbon neutrality as one component strategy within the broader sustainability agenda);
- *Invest Locally* (retain greenhouse gas emission expenditures within the local community);
- *Reduce First, Offset Second* (prioritize greenhouse gas emission reduction, not offsetting to demonstrate strong corporate leadership and reduce long-term corporate costs);
- *Focus on Action, not Accounting* (focus on big value action that yields significant community benefit and minimizes low-value costs associated with greenhouse gas administration); and
- *Be Carbon-Balanced* (direct action towards both greenhouse gas emission reduction and carbon sequestration).

Prepare for Carbon Neutrality – Develop a Carbon Responsible Program

1. Position Carbon Neutrality within the City's Sustainability Framework. (*Complete*)
2. Establish a Carbon Neutral Provisional Fund to support accelerated corporate greenhouse gas emission reduction and other carbon neutral action, including the purchase of offsets if required. (*Complete*)
3. Incorporate considerations of greenhouse gas emissions (growth and reductions) into project submission information as part of the City's Land and Capital process. (*Complete*)
4. Establish a baseline of emissions and identify strategic focus areas to reduce the City's carbon liability to largest extent possible over the next 2 years. (*Complete*)
5. Work with the Province to recognize local compensation action initiatives. (*In Progress*)
6. By end of 2012, establish a Carbon Responsible Program for Council consideration.

Be Carbon Neutral – Implement Carbon Responsible Program

If adopted, the Carbon Responsible Program will manage the following four main steps on an annual basis:

1. Embed

- Review City's Carbon Responsible Program in accordance with City's broader sustainability goals and objectives

- Establish and manage the measurement of the City's greenhouse gas emissions to meet all City commitments (e.g., BC Climate Action Charter, Mexico Pact, etc.)

3. **Avoid and Reduce, Strategically**

- Develop and realize a corporate greenhouse gas emission reduction target
- Collaboratively advance action to avoid future greenhouse gas emissions and reduce the City's existing emissions through a variety of means such as:
 - ~ *Corporate capacity building* initiatives (e.g., general climate change and carbon management awareness, low-carbon driving training, etc.)
 - ~ *Corporate policy development* (e.g., "no net carbon increase" for new projects, energy standards incorporated into the City's High Performance Building Policy, etc.)
 - ~ *Strategic planning* (e.g., trip reduction plans for departments)
 - ~ *Strategic project action* (e.g., fleet conversion, IT systems to reduce mobility demand, etc.).
- Develop supportive tools and embed the cost of greenhouse gas emissions within relevant City decision-making processes (e.g., carbon calculator embedded within the Land and Capital Model)
- Prepare Corporate Energy and Carbon Neutral Action Plan to identify strategic opportunities for integrated corporate energy and emissions reduction initiatives, identify strategic credit generating initiatives and secure carbon rights.
- Manage the City's Carbon Neutral Provisional Fund and develop principles, financing mechanisms (e.g., setting up an endowment to provide partial support, etc.) and other tools to support the advancement of strategic greenhouse gas emission reduction action

4. **Balance** - invest in local carbon compensation action (sequestering and greenhouse gas emission reduction)

- Advance compensation action that directs investments within Richmond
- Capture carbon compensation credit from post-2007 and future City investments (e.g., organic recycling program, ecological areas acquisition, etc.) and advance strategic future local carbon compensation action that leverages City programs and supports other City objectives

5. **Report and Improve**

- Coordinate and manage reporting
- Identify opportunities for improvement