



CALIFORNIA URBAN WATER AGENCIES



## CMUA-CUWA Joint Policy Principles

### Cap and Trade General Auction Revenues for Water-Related Purposes

April 1, 2013

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The following policy principles reflect the views of the members of the California Municipal Utilities Association (CMUA) and California Urban Water Agencies (CUWA), which together represent 55 municipal water agencies serving over 25 million people, or two-thirds the population of California.

#### Background

The nexus between water-energy and the potential for reduced Greenhouse Gas (GHG) emissions through actions in the water sector has been clearly established. The California Energy Commission estimates energy used in water-related activities to be significant – potentially 19 percent of total electricity used in the state. Of that, water utility energy use accounts for approximately 8 % and the rest from the end users of water (e.g., hot water heaters).

The Governor, his Administration and the State Legislature have all identified the water sector as a potential area for investments to lower GHG emissions, as required by AB 32. Water-related projects were included in the bill that established how Cap and Trade general auction revenues should be spent – AB 1532 (Chapter 807, 2012). As required by that bill, in early 2013 the Department of Finance, in consultation with the California Air Resources Board (CARB), began preparing an investment plan for Cap and Trade AB 32 auction revenues. CARB is holding workshops to discuss the draft investment plan and final investment plan approval is subject to Legislative approval. The Governor's 2013/2014 proposed budget also highlights the water sector as one of several areas for potential inclusion in the investment plan. The water sector was also identified in the 2008 AB 32 Scoping Plan and in CARB's 2013 Draft concept paper for the investment plan as a category where GHG emission reductions could be achieved.

#### Policy Principles

CMUA and CUWA support smart investments in AB 32 auction revenues that will fund projects to reduce the carbon footprint of the water sector and provide other co-benefits. In order to assist the Department of Finance, CARB and the California Legislature in developing an effective investment plan that includes water-related funding, CMUA and CUWA have identified the following overarching policy principles.

**Enable flexibility with funding to support locally driven innovation.** Each local water system has different sources of supply and community needs. While state agencies play a critical role in verifying GHG reductions and monitoring and managing the progress of the Cap and Trade program, local agencies need the flexibility to design and plan programs that meet their community and resource needs.

**Consider the entire water use cycle for funding of GHG reductions.** Too often only water conveyance is considered when evaluating energy use and possible GHG reductions. In assessing the ability of proposed water-related programs to reduce GHGs, it is important to consider the entire cycle, which includes the process for collecting, conveying, treating and delivering water to end users. It also includes the collection, treatment, reuse and/or disposal of the water after its use. Water conservation programs can also be effective in achieving GHG reductions for both water utilities and end users.

**Provide funding for water agency local climate planning and implementation.** To fully recognize the benefits from the significant role that the water sector and local governments play in meeting California's AB 32 climate goals, it is critical to provide some level of funding for water-related GHG reduction planning and implementation efforts, including collaborative efforts with utilities and other local governments.

**Fund water-related projects that maximize multiple benefits.** Because there is limited general auction funding, California should seek to maximize its return on investment by funding projects with multiple benefits. Projects funded through the investment plan should help support long-term, transformative efforts to achieve other related benefits, such as water supply reliability, water quality improvement, job creation and community sustainability.

**Provide a variety of funding options to fund local efforts.** Low interest loans and grant funding should be offered to reflect the different financial needs and water planning efforts of California communities.

**Support cost-effective methods to quantify GHG reductions from funded water projects or programs. Quantification is important** to ensure that the water sector significantly contributes to the AB 32 goal of reducing GHGs to 1990 levels by 2020. However, it is important that the level of effort associated with quantification is commensurate with the level of associated funding.

## **For More Information**

**California Municipal Utilities Association** – Established in 1932, the California Municipal Utilities Association (CMUA) brings publicly owned water, gas and electric utilities together to speak with one voice to the Legislature and regulatory agencies of the state. For more information, please contact Jennifer West, Director of Water at (916) 326-5800 or [jwest@cmua.org](mailto:jwest@cmua.org), or visit <http://cmua.org>.

**California Urban Water Agencies** – Established in 1990, the California Urban Water Agencies (CUWA) is a non-profit corporation of 10 major urban water agencies that are responsible for about two-thirds of California's drinking water supply. As the collective voice for the largest urban water purveyors in California, CUWA provides technical perspective to promote common understanding and consensus solutions among the urban water community. For more information, please contact Cindy Paulson, at (925) 210-2525 or [cpaulson@brwncald.com](mailto:cpaulson@brwncald.com), or visit [www.cuwa.org](http://www.cuwa.org).