

ATTACHMENT C.

CLIMATE ACTION PLAN UPDATE

INTRODUCTION

In response to community priorities and Council direction, the City has been implementing ambitious sustainability and climate action work since the 2017-19 Financial Plan. In 2020, Council adopted the Climate Action Plan for Community Recovery, which established the goal of community wide carbon neutrality by 2035 and supporting sector specific goals. In 2021, the City also adopted the *Lead by Example* plan, which established the goal of carbon neutral municipal operations by 2030 and describes capital projects and operational programs required to achieve the goal.

Staff and the community have been busy implementing both plans and are preparing an update that provides the 2023-27 CAP implementation work plan.

This document provides an overview of the implementation status of the 2020 Climate Action Plan, previews the forthcoming 2023-27 CAP Work Plan, and describes the opportunities provided by Federal and State funding and regulatory alignment.

CAP IMPLEMENTATION STATUS

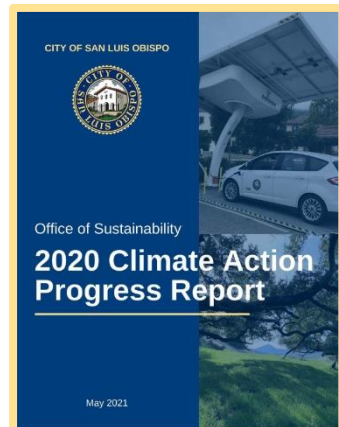
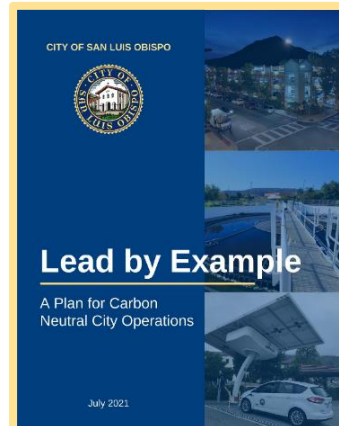
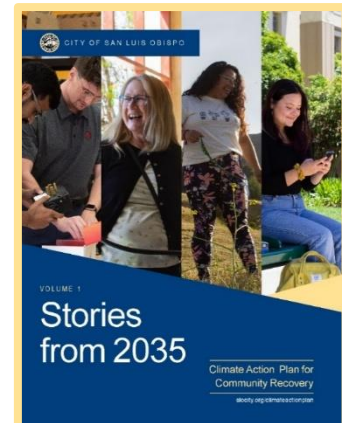
The 2020 CAP directs staff to provide an update on Climate Action Plan implementation progress every two years. The initial progress report was provided to Council in 2021 and the next biennial report will be provided to Council in December of 2022 (concurrent with the proposed 2023-27 CAP Work Program, discussed below).^{1,2} That report will provide a comprehensive implementation status update for every action in the 2020 CAP. Key implementation status items in that report include:

- **Diversity, Equity, and Inclusion and Climate Action:** Diversity, equity, and inclusion are core values for the City and the Office of Sustainability has made a conscious effort to center these considerations in all climate action

¹ 2021 CAP Progress Report:

<https://www.slocity.org/home/showpublisheddocument/30891/637644578194470000>

² The Public Review Draft progress report is available for review and comment from November 2 through November 16 at www.slocity.org/climateactionplan



work. Since adoption of the 2020 CAP, the City has included equity as a core consideration in every implementation project plan.

- **Clean and Green Electricity:** On January 1, 2020, the City began receiving energy from Central Coast Community Energy, formerly Monterey Bay Community Power, a Community Choice Energy program that provides clean electricity, rate savings, and community energy programs.
- **All-Electric New Buildings:** In July 2022, Council adopted the Clean Energy Program for New Buildings, which requires nearly all projects submitting building permits on or after January 1, 2023, to be all-electric.
- **Natural Solutions and Carbon Sequestration:** In Summer and Fall of 2022, the City completed a soil carbon storage study with assistance from the Coastal San Luis Resource Conservation District and began a pilot compost application project at Johnson Ranch. The 1.2-acre pilot project leveraged Cal Poly's distinguished faculty studying carbon sequestration and soil health and prepared the City to expand the program to include additional practices and sites in the SLO Greenbelt. The City's initiative to plant 10,000 trees by 2035 is also underway and strong partnerships and volunteer networks have been developed.
- **Lead by Example: Carbon Neutral Municipal Operations:** Staff has completed nearly all of the near-term (2021-24) tasks in the plan and are preparing to implement tasks identified for 2023-25. Recent "Lead by Example" projects include:
 - Lighting retrofits at both Palm Street parking garages, Fire Station 1, and City Hall.
 - Installation of a large battery storage facility at the Water Treatment Plant.
 - Installation of fleet electric vehicle chargers and delivery of the first all-electric fleet vehicles.
 - Completion of the City building and facility electrification plan, fleet electrification transition plan, and microgrid pilot study (with physical implementation of all three items set to begin in 2023).
- **Active Transportation:** The City has made quick and impactful strides implementing the Active Transportation Plan. Notable completed projects include the Railroad Safety Trail Bridge connecting Phillips to Pepper Street, protected bike lanes on Marsh Street and Higuera Street, and the pedestrian hybrid beacon on Broad Street at Woodbridge.
- **SB 1383 - Short-lived Climate Pollutants: Organic Waste Reductions:** The City has proactively worked towards compliance with SB 1383. On November 16th, 2021, the City adopted an ordinance requiring all residents and businesses to utilize organic waste collection services by 2022. The City also updated the solid waste and recycling sections of the municipal code to require all residents and businesses to utilize organic waste collection services.

2023-27 CAP WORK PLAN

The 2020 CAP also directs staff to update the Climate Action Plan ahead of every other Financial Plan. The initial update will occur in January 2023 ahead of the 2023-25 Financial Plan. The 2020 CAP included a number of foundational actions that focused on plans, studies, and small pilot programs. As a result of the successful implementation of the 2020 CAP and 2021 Lead by Example Plan, the City's proposed 2023-27 Work Plan will focus on deploying climate solutions at the speed and scale needed to achieve its targets. This rapid deployment is substantially aided by historic state and federal policy alignment and funding resources (described in more detail

below). The Public Review Draft 2023-27 Work Plan is available for review at slocity.org/climateactionplan from November 2 through November 22 and is expected to be presented to Council for adoption on December 13, 2022. Figure 1 provides the CAP update schedule through 2027.

Figure 1. Climate Action Plan Update and Implementation Schedule



NEW STATE AND FEDERAL RESOURCES AND POLICY ALIGNMENT

In 2022, California ratcheted up its ambition and the Federal Government passed the most ambitious climate legislation in US history. The state and federal approaches to climate action are deeply aligned with the City's approach, including in its focus on the interconnectedness of climate action and environmental justice; electrification of fossil fuel appliances, equipment, and vehicles; and conservation and management of natural and working lands. In 2023-25, the City will enter a new period where all levels of government are moving in the same direction with unprecedented funding available.

City Financial Implications

In 2022, California (2022 climate budget) and the federal government (Inflation Reduction Act, Infrastructure Investment and Jobs Act, CHIPS Act) committed over \$425 billion to climate solutions that transition communities to low-carbon futures. This means substantial funding for community programs including up to \$20,000 available to income-qualified households for transitioning to solar, clean electric appliances, and vehicles, and increased funding for community infrastructure like transit and community resilience hubs.

Under the Inflation Reduction Act, cities are also able to receive the Investment Tax Credit for the first time through direct payment. This means that starting in 2023, the City's *Lead by Example* projects will likely be eligible for direct federal funds that could amount to 30% of all solar and battery storage projects, up to \$7,500 for electric vehicles, and up to \$40,000 for heavy-duty equipment.

This funding is complementary to the substantial grant resources already being rolled out by the state of California. The grant funding environment is expected to be robust and could have major

benefits for City operations and community programs. Contemporary competitive sustainability grants also tend to have explicit environmental justice or equity components, which could help the City achieve its Diversity, Equity, and Inclusion goals.

Economic Development Implications

The value of the Inflation Reduction Act extends beyond the City's climate goals. Rewiring America estimates that if every eligible home in San Luis Obispo County took advantage of the Inflation Reduction Act, by the end of 2030, that would result in over \$700m in residential electrification project investments, generating 1,246 direct and 4,337 total new jobs in San Luis Obispo County.³ Building retrofits are challenging work that require skilled trades including electricians and plumbers, among others. If the local workforce is developed and supported, the Inflation Reduction Act could provide high quality jobs insulated from some of the volatility possible in other employment sectors.

Additionally, the region could be a hotbed of sustainability entrepreneurship and innovation. With substantial federal incentives and state support for offshore wind, extending Diablo Power Plant's operational life, and ongoing interest in renewable energy and energy storage, the green tech/cleantech sector could play a role in supporting a robust economy through the decade.

Policy Implications

Two prominent examples of statewide ambitious climate action are the Air Resources Board's recent vote to develop a rule to begin phase out of fossil fuel appliances at retailers beginning in 2030 and a separately established rule to phase out fossil fuel vehicle sales entirely by 2035. Similar phase outs are scheduled for fossil fuel buses and lawn and garden equipment. It is unclear if, or how, regulations like these will affect the economic outlook for the City in 2023-25, but they will certainly influence local and regional commerce through the end of the decade and

NEXT STEPS AND ONGOING IMPLEMENTATION

As illustrated in Figure 1, staff anticipates presenting the 2023-27 work program and 2021-22 CAP Progress Report to Council in December 2022. Concurrent with these planning and reporting exercises, staff will continue to implement the CAP and the remainder of the 2021-23 Climate Action, Open Space, and Sustainable Transportation Major City Goal.

³ https://map.rewiringamerica.org/states/california-ca/county/san_luis_obispo_county