

Association of Bay Area Governments

Executive Board

March 20, 2025

Handout - Agenda Item 8.b.

Cap and Trade Advocacy Principles Handout

Subject:

Cap and Trade Advocacy Principles

Background:

On March 14 the Joint MTC ABAG Legislation Committee discussed draft recommended principles to guide MTC and ABAG's advocacy on the extension of California's Cap and Trade program, which is set to expire in 2030. Those principles were included as an attachment to Agenda item 3b in the Joint Legislation Committee packet.

The Committee supported recommending the draft principles for MTC and ABAG Executive Board approval, with three revisions, described below and identified through underline (additions) and strikethrough (deletions) and included in Attachment A.

1. Update the "Fair Share for the Bay Area" principle (Principle 3) to add that ongoing investment in California High-Speed Rail should include connecting to the Bay Area and investing within the region to lay the groundwork for safe and efficient high-speed rail in Northern California, including critical path items north of Gilroy and a fair share towards Northern California's high-speed rail joint benefit projects.
2. Strengthen Principle 4 – Equitable Distribution of Resources – to ensure Cap and Trade is structured in a way to mitigate greenhouse gas emissions impacts on the Bay Area's communities most historically marginalized communities, who are often most impacted by transportation and other greenhouse gas emitting industries.
3. Add "Protect Affordable Housing Production Funding Levels" as Principle 7 to confirm MTC and ABAG's support for affordable housing investments through Cap and Trade.

Issues:

None

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Recommended Action:

The Executive Board is requested to approve the principles in Attachment A, which include the additions proposed by the MTC and ABAG Joint Legislation Committee.

Attachments:

- Attachment A_MTC/ABAG Final Cap and Trade Advocacy Principles

Reviewed:



Andrew Fremier

Association of Bay Area Governments

Executive Board

March 20, 2025
Page 1 of 2

Handout – Attachment A
Agenda Item 8.b.

Final Draft MTC/ABAG Cap and Trade Advocacy Principles

Note: New additions recommended at the March 14th Legislation Committee are underlined and deleted text is indicated with ~~strikethrough~~.

1. **Support Long-Term Extension of Cap and Trade Program**

The Cap and Trade program is one of California's most effective tools for reducing greenhouse gas (GHG) emissions and meeting the state's climate goals. By capping emissions and creating financial incentives for GHG reductions, the program drives long-term decarbonization while generating critical funding for climate friendly projects, including sustainable transportation and transit-oriented affordable housing. A long-term extension will provide the certainty needed to sustain emissions reductions, stabilize the market, ensure continued funding certainty for projects and programs that support a more sustainable and equitable future.

2. **Sustained Investment in Transportation and Affordable Housing**

Maintain at least the current 60 percent continuous appropriation for transportation and transit-accessible affordable housing. Given that transportation remains the largest contributor to GHG emissions in California, it is essential for our climate goals to sustain and expand clean transportation options, support high levels of transit ridership and increase availability of affordable housing located near transit.

3. **Fair Share for the Bay Area**

Any updates to the structure of the Cap and Trade program should maintain the Bay Area's ability to compete effectively for funding and strengthen Bay Area competitiveness. If formula-based approaches are considered for existing or new programs, formulas must ensure the Bay Area continues to receive a fair share – consistent with historical allocations – so that it can continue to meet high levels of transit ridership demand, expand transit options, build more affordable housing near transit and implement Plan Bay Area, the region's sustainable communities strategy (SCS). Additionally, ongoing investment in California High-Speed Rail should include connecting to the Bay Area and investing within the region to lay the groundwork for high-speed rail in Northern California, including critical path items north of Gilroy and a fair share towards Northern California's high-speed rail joint benefit projects. A seamless and safe connection into the Bay Area is essential for maximizing high-speed rail's transformational potential, and advancing these investments now is an efficient and effective way to ensure the region is ready when high-speed rail service reaches Northern California.

4. **Equitable Distribution of Resources**

~~Support Advocate that~~ policies intended to ensure ~~steer~~ Cap and Trade funds benefit into the state's low-income and historically marginalized communities who are disproportionately impacted by GHG emissions and vulnerable to the effects of climate change. Additionally, advocate that such policies are inclusive of the Bay Area's Equity Priority Communities, which reflect the region's disproportionately high cost of housing.

5. Ensure Efficient and Effective Use of Cap-and-Trade Revenues

Cap and Trade revenues should be deployed efficiently to advance California's climate goals. Minimizing administrative burdens will ensure funds are put to work on high-impact projects that deliver real climate benefits. Retaining and expanding program flexibility will allow investments to be prioritized based on the highest needs, which may vary by region over time, ensuring the responsive and effective use of resources to meet the state's climate and resilience goals.

6. Increased Funding for Transit Operations

Advocate for formula-based funding from Cap and Trade to support sustaining service for existing transit riders and attracting new riders through SB 125's Zero-Emission Transit Capital Program model. This funding would serve as a complement and a potential backstop to a Bay Area regional transportation measure.

7. Protect Affordable Housing Production Funding Levels

Ensure Cap and Trade continues to provide funding for affordable housing, including through maintaining (at a minimum) the share of Cap and Trade funds that currently support affordable housing.

8. 7- Assist with Implementation of Sustainable Communities Strategies

Sustain and enhance Cap and Trade resources as a tool to implement Plan Bay Area 2050 and other region's SCSs, California's framework for reducing greenhouse gas emissions from transportation by requiring the state's metro areas to plan for a future in which transit, walking and biking are convenient, affordable and reliable options. Accelerate GHG reduction by providing a formula-based, continuous allocation of Cap and Trade funds to regions for SCS implementation; funds could be used to advance each region's unique approach to meeting its SCS goals, be that investing in improvements to expand transit service, sustaining transit operations in high-ridership corridors, and/or advancing zero-emission transit fleet transitions.

9. 8- Enhancing Resilience to Climate-Fueled Natural Hazards

Support investments in planning and projects that support the Bay Area and California in adapting to a changing climate, including, but not limited to, sea level rise, wildfires and heat. Prioritize funding to protect critical infrastructure and surrounding communities.