

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	09/11/17	Open	Action	09/01/17

Subject: Declaring SacRT's Low Carbon Fuel Standards Carbon Credits and Renewable Identification Number Credit Surplus Property and Authorizing the General Manager/CEO to Dispose of Said Property

ISSUE

Whether or not to declare SacRT's Low Carbon Fuel Standards (LCFS) Carbon Credits and Renewable Identification Number (RIN) Credits Surplus Property pursuant to Chapter 2 of SacRT's Procurement Ordinance and authorize the General Manager/CEO to dispose of the surplus RINs and LCFS accrued up to June 30, 2020.

RECOMMENDED ACTION

Adopt Resolution No. 17-09-____, Declaring SacRT's Accrued Low Carbon Fuel Standards (LCFS) Carbon Credits and Renewable Identification Number (RIN) Credits Surplus Property Pursuant to Chapter 2 of SacRT's Procurement Ordinance and Authorizing the General Manager/CEO to Dispose of the Surplus RINs and LCFSs Credits.

FISCAL IMPACT

Approval of this resolution will enable SacRT to receive funds for the sale of LCFS and RIN credits, which have accumulated, and will continue to accumulate, in SacRT's California Air Resources Board (CARB) and Environmental Protection Agency (EPA) Central Data Exchange (CDX) accounts respectively. As of June 2017, the estimated fair market value of the accumulated credits, net of broker commissions, is \$1,300,000. SacRT estimates similar amounts for fiscal years 2018 through 2020.

DISCUSSION

Declaring LCFS and RIN Credits Surplus Property:

On January 19, 2007, Executive Order S-1-07 enacted an LCFS directive. The LCFS directive requires oil refineries and distributors to ensure that the mix of fuel they sell in the California market meets the established declining targets for greenhouse gas (GHG) emissions, measured in CO₂-equivalent grams per unit of fuel energy sold for transport purposes. The LCFS directive calls for a reduction of at least 10 percent of the 2010 levels in the carbon intensity of California's transportation fuels, by 2020. In July of 2017 California legislators approved, by two-thirds majority, extending the program until 2030. These reductions include not only tailpipe emissions, but also all other associated emissions from the production, distribution and use of transport fuels within the state. Therefore, California LCFS considers the fuel's full life cycle, also known as the "well to wheels" or "seed to wheels" efficiency of transport fuels. The standard also aims to reduce the State's dependence on petroleum, create a market for clean transportation technology, and stimulate the production and use of alternative, low-carbon fuels in California. The LCFS program mixes command and control regulation, and emissions trading to achieve its goal of reducing

Approved:

Presented:

Final 09/06/17

General Manager/CEO

Manager, Accounting

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emissions, as it relies upon market-based mechanisms that allow providers to choose how they will reduce emissions while responding to consumer demand. Participants of the LCFS program like SacRT become market participants by opting into the California Air Resources Board's LCFS program as a regulated entity. SacRT applied for and began receiving LCFS credits for the quarter ended December 31, 2014. As a regulated party, SacRT earns credits by dispensing and consuming compressed natural gas (CNG) for its bus fleet. SacRT opted into CARB's LCFS Electrical Program in July of 2016. SacRT earns credits by consuming electricity to power its light rail fixed guideway system.

In addition to the LCFS program under California's carbon credit regulatory scheme, SacRT is also a market participant in the Federal Environmental Protection Agency's (EPA) Renewable Fuel Standard Program. This program aims to encourage the migration by producers and refiners away from traditional fossil fuels toward the development and use of renewable fuels, such as using biogas rather than traditional CNG. In May 2015, SacRT migrated away from the use of standard Compressed Natural Gas (CNG) to biogas under an agreement with the State of California, Department of General Services (DGS). Pursuant to the terms of that agreement, SacRT began receiving RIN credits. Each gallon of biofuel is assigned an individual identification number known as a RIN, when the biofuel is blended by a refiner, the RINs are "separated" and they become tradable/sellable carbon credits that can be sold, traded, retired or held by market participant who owns them.

Staff estimates that SacRT will accumulate 10,500 LCFS carbon credits and 250,000 RIN credits in fiscal years 2018 through 2020. In accordance with accounting rules governing revenue recognition, SacRT will need to sell these credits prior to the end of the fiscal year in which SacRT wants to record the revenue. Before SacRT can sell the LCFS carbon credits, SacRT's Board must declare the credits surplus property pursuant to Chapter 2 of SacRT's Procurement Ordinance.

Staff recommends that the Board declare SacRT's allotment of LCFS and RIN credits surplus property.

Authorizing General Manager/CEO to dispose of available LCGS and RIN credits:

At this time, SacRT does not have a written Board adopted Policy or Plan for the sale of its LCFS and RIN credits and is requesting authority for the General Manager/CEO to sell the credits with the assistance of a Broker. If the Board agrees to declare all of SacRT's accumulated LCFS and RIN credits, and all LCFS and RIN credits to be earned between now and June 30, 2020, the General Manager/CEO will authorize release of a Letter of Solicitation (LOS) to hire a broker on a short term basis to sell SacRT's available carbon credits. SacRT does not have the internal expertise to sell its available carbon credits on the open market. Hiring a broker with expertise and experience in the sale of such carbon credits will ensure that SacRT obtains the maximum value for its LCFS and RIN credits and that the proper process of transferring the credits is followed.

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Staff requests that the Board declare all LCFS and RIN credits earned through June 30, 2020 as surplus property and authorize the General Manager/CEO to dispose of the available credits.

RESOLUTION NO. 17-09-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

September 11, 2017

DECLARING SACRT'S ACCRUED LOW CARBON FUEL STANDARDS (LCFS) CARBON CREDITS AND RENEWABLE IDENTIFICATION NUMBER (RIN) CREDITS SURPLUS PROPERTY PURSUANT TO CHAPTER 2 OF SACRT'S PROCUREMENT ORDINANCE AND AUTHORIZING THE GENERAL MANAGER/CEO TO DISPOSE OF THE SURPLUS RINS AND LCFSS CREDITS

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board hereby declares SacRT's Low Carbon Fuel Standards (LCFS) carbon credits earned through the California Air Resources Board Low Carbon Fuel Standard Program accrued through June 30, 2020, surplus property pursuant Chapter 2 of SacRT's Procurement Ordinance; and

THAT, the Board hereby declares SacRT's Renewable Identification Numbers (RINs) carbon credits earned through the Federal Environmental Protection Agency Renewable Fuel Standard Program accrued through June 30, 2020, surplus property pursuant to Chapter 2 of SacRT's Procurement Ordinance; and

THAT, the Board hereby authorizes the General Manager/CEO or his/her designee to sell SacRT's LCFS and RIN credits through the employment of a broker or other authorized dealer of LCFS and RIN credits; and

THAT, the General Manager/CEO is authorized to execute any agreement, document, contract or other form(s) necessary to effectuate the sale of SacRT's LCFS and RIN credits.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary