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Economic and Allocation Advisory Committee
California Environmental Protection Agency
1001 I Street
Sacramento, CA 95812

RE: Comments on "Allocating Emissions Allowances Under California's Cap-and-Trade Program" Draft Report

Dear Chairman Goulder and EAAC Members:

Thank you for your hard work in preparing an excellent draft report to guide ARB's implementation of the statewide cap-and trade system called for in AB 32. We compliment the Committee on the quality of the report that has been pulled together in such a short time-frame and appreciate the opportunity to provide comments at this point of the process. The Metropolitan Transportation Commission (MTC) is the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area. The Association of Bay Area Governments (ABAG) serves as the regional planning agency whose mission is to strengthen the cooperation and coordination among local governments—ABAG's member jurisdictions include all 9 counties and 101 cities within the Bay Area. MTC and ABAG share statutory authority under SB 375 to develop a Sustainable Communities Strategy to reduce greenhouse gas emissions in the Bay Area.

As mentioned at your November 18, 2009 committee meeting, we strongly encourage the committee to recommend that some allowance value generated be set aside to invest in 1) transportation infrastructure including public transit and non-motorized facilities, acceleration of cleaner fleets, and implementation of transport pricing strategies; and 2) planning resources to develop and implement regional and local land use plans.

In the Bay Area, almost 41% of GHG emissions are from the transportation sector. We envision a suite of solutions to reduce transportation's share of GHG emissions through infrastructure investments, pricing, land use, technology improvements, and individual behavior change. Dedicating cap-and-trade allowance value towards transportation infrastructure and land use planning will remove one of the significant barriers—a lack of resources—preventing us from implementing these strategies, all of which are necessary to reduce the transportation sector's contribution to climate change.

Invest in transportation infrastructure including public transit and non-motorized facilities, acceleration of cleaner fleets, and implementation of transport pricing strategies

MTC is responsible for preparing the Regional Transportation Plan (RTP), a comprehensive blueprint for the development, maintenance, and operations of transportation facilities in the Bay Area. Our most recently adopted Transportation 2035 Plan estimates that funding for transit operations and capital replacement falls short by \$25 billion (\$8 billion for operations and \$17 billion for capital) from the \$138 billion necessary to operate and maintain the transit system over the next 25 years. With over 1.1 million daily trips by transit in the Bay Area in 2006, and over 2 million projected by 2035, it is imperative that funds to maintain transit services in the region be identified and additional investments be made to shift more trips to transit. We thank the committee for the discussion in the draft report of investment in public transit as a potential use of allocation value. Given the urgent need for additional transit funding, exacerbated by the State's recent elimination of the State Transit Assistance program, and the important role it will play in accommodating an auto-to-transit mode shift, we believe transit funding should be recommended as a high-priority use of allocation value in the final report.

Complementary to maintaining and expanding transit is the need to implement a complete and safe network of pedestrian and bicycle facilities. Encouraging additional non-motorized trips is critical to the reduction of GHG emissions. As the region shifts to a more compact, dense land use pattern as called for in SB 375, a greater share of trips will be short trips – those for which non-motorized modes are most viable. Similarly, a compact development pattern will increase the importance of non-motorized trips as a linkage to transit. We hope the Committee will consider expanding the discussion on transit and land use investments to also include non-motorized transportation facilities as another use of allocation value.

MTC's travel forecasts show that trips by private automobile will remain the dominant mode of transport in the near future. Even with an investment of \$30 billion towards transit expansion in our Transportation 2035 Plan, about 80% of all trips are forecast to be by private automobile in 2035. Given this reality, our analyses show that vehicle turnover to cleaner, more fuel efficient fleets, as well as implementation of pricing strategies that place a premium on travel when capacity is most scarce are two of the most cost-effective transportation strategies to reduce GHG emissions. For example, implementation of the AB 1493 (Pavley) regulations is expected to reduce GHG emissions in the Bay Area by 33% in 2035 – MTC and ABAG would like to pursue strategies to accelerate this fleet turnover, such as through supporting the development of a regional electric vehicle network. In addition, our analysis of a pricing strategy that would triple auto operating costs indicated an additional 7% reduction in GHG emissions. Up front capital funding is needed to initiate project development studies and purchase pricing equipment. Please consider these types of uses for allocation value as well.

Invest in planning resources to develop and implement regional and local land use plans

MTC and ABAG will play key roles in implementation of SB 375 through development of a Sustainable Communities Strategy (SCS) as a part of the next regional transportation plan. MTC and ABAG's cooperative role in developing the FOCUS program, a regional development and conservation strategy that promotes a more compact land use pattern for the Bay Area will be the starting point for development of our region's SCS. In order for regional agencies' efforts

towards SB 375 implementation to be successful, resources are needed to lead high-caliber planning processes with a much greater level of public participation and coordination than past RTP planning efforts. In addition, local jurisdictions may be unable to update general plans and zoning codes consistent with an SCS unless additional planning funds are made available. Because SB 375 is expected to provide the GHG reduction associated with coordinated land use and transportation planning called for in the AB 32 Scoping Plan, it should be a priority use of allocation value.

MTC and ABAG are working hard on multiple fronts to ensure we reduce transportation's contribution to GHG emissions in the Bay Area. A set aside of cap-and-trade allowance value for transportation investments and land use planning will complement and reinforce additional regional efforts to reach our GHG-reduction objectives. Thank you for your consideration of our comments. We look forward to continuing to participate in this process. Please feel free to contact either Doug Kimsey, MTC Planning Director, at 510.817.5790 or Kenneth Kirkey, ABAG Planning Director, at 510.464.7955 if you have any questions.

Sincerely,



Doug Kimsey
MTC Planning Director



Kenneth Kirkey
ABAG Planning Director