

## **General Notes on Municipality's Efforts to Transition to Renewables**

Most of the energy in cities is consumed directly either for electricity, for heating and cooling buildings and industrial activities, or for transporting people and goods. City governments themselves use only a small portion of this energy for municipal buildings and fleets; the rest is used city-wide for residential and commercial buildings, industrial activities and private transport. Thus, achieving urban renewable energy targets depends not only on political commitment and municipal investment in renewables, but also on governments' ability to mobilize the wider uptake of renewables by other actors, including through comprehensive policies, awareness-raising and stakeholder dialogue.

The possibilities and strategies for municipal governments to scale up renewables to achieve their climate and energy targets depend on a variety of factors. One decisive variable in a city's ability to advance the deployment and use of renewable energy is the degree of regulatory and financial power that national governments grant to city governments. Existing regulatory frameworks at the state/provincial, national and regional levels also influence local renewable energy production, target-setting and policy making. In addition, the ability of cities to scale up renewables is greatly affected by market rules, energy regulations and policies set by higher levels of government (including the political dynamics that shape these instruments) and by the degree of economic dependence on fossil fuels.

Several cities have adopted detailed plans to transition to renewables in their heating systems, while the number of cities adopting targets to increase renewables in the transport sector and to expand the use of battery electric or hydrogen vehicles (which can be powered by renewables) has grown.

For municipal governments that have direct control over city infrastructure, increasing the share of renewables in their own operations, buildings and fleets often has been a first step towards expanding the use of these technologies city-wide.

In the buildings sector, municipal governments differentiate their policy approaches between new and existing buildings, as well as by building type (residential, commercial, industrial, public). The number of building codes and mandates that include renewable energy for electricity or heating (usually solar photovoltaics (PV) or solar thermal) has grown. These codes typically apply to new buildings; for existing buildings, renewables often are encouraged via financial and fiscal incentives such as grants, rebates and low-interest loans.

Policy efforts to increase the share of renewables in urban transport systems is shifting rapidly towards electrification. Several cities have adopted mandates for installing electric vehicle (EV) charging infrastructure in new buildings, which provide a critical entry point for higher uptake of renewables in transport, especially if combined with renewable electricity policies.

In addition to public procurement and direct investment by municipal governments, the transition in the transport sector has been driven mainly by subsidies, grants and rebates for battery electric and fuel cell vehicles.

(From RENEWABLES IN CITIES 2021 GLOBAL STATUS REPORT)

## **Notes on the Regulation of Natural Gas by the City of Eugene**

A franchise agreement grants right of way to the natural gas utility to install, maintain and operate facilities. The Eugene City Council failed to come to an agreement with natural gas utility Northwest Natural (NWN) on the terms of their contract renewal, which is now set to expire in May. The franchise agreement would have locked the city into another 10-year contract with the gas company, allowing NWN to expand its gas infrastructure throughout the city without restriction.

Proposed Franchise Agreement (from February 8 Eugene City Council meeting)

- 10-year term
- Grant of authority for right and privilege to lay, maintain, and operate facilities in and under the public ways of the City
- Franchise Fee of 5.75% of NWN's gross (currently 5%), increasing at month 25 to 6.5% of NWN's gross revenues.
- Carbon Reduction Fee (CRF) of 1.25% of gross sales revenues, increasing at month 25 to 2.5% of gross sales revenues. Proceeds would go toward energy efficiency measures prioritizing low income households (80%), offsets (10%) and local renewable gas projects.

The impasse in contract negotiations was due to a failure to agree on the Carbon Reduction Fee provisions. Eugene proposed the CRF as part of the Franchise Agreement. Including the CRF under the Franchise Agreement would not require OPUC approval. NWN agreed to collect the CRF, but only under a separate agreement subject to OPUC oversight and approval. Decoupling the agreements would separate the early termination clauses and reduce the City's leverage. NWN also demanded that CRF would not fund electrification. NWN also appears to wary of setting a precedent that disadvantages the itself and the natural gas industry.

A 'no deal' means that NWN's operations will be subject to the city's regular permitting process. This means higher costs to the utility, delays for customers and more work for city permitting staff. In other words, more friction in the natural gas supply chain which will make alternatives more attractive.

The original franchise agreement expired in 2019 and one city council member's critique of the NWN negotiation included: "NWN is dragging their feet", "injected a late clause proscribing use of CRF for electrification", "spreading lies", and "using the tobacco industry playbook". Comments in a recent public forum were more or less split evenly between supporters of the natural gas status quo and advocates of change. Union workers and restaurant owners were generally pro-gas and some were reading pre-prepared talking points about jobs, reliability, economic impact and efficiency. Many gave lip service to protecting the environment but not at any expense to themselves or their business. One might expect fierce opposition to change in natural gas policy when change is imminent.

### **Natural Gas in buildings actions (from Regulation of Natural Gas work session)**

Action 1: Limit or prohibit new natural gas infrastructure.

Action 2: Require NWN to incentivize customers' reduced use of natural gas or customers' purchase of emission offsets provided by NWNG's Smart Energy Program.

Action 3: Regulate the purchase and installation of natural gas fueled appliances.

Action 4: Prohibit financial incentives for installing natural gas service.

Action 5: Prohibit financial incentives for purchasing natural gas appliances.

Action 6: Prohibit installation of natural gas service for new residential, commercial and/or industrial buildings.

Action 7: Require NWN to fuel switch to biogas and renewable hydrogen.

Action 8: Increase franchise fee and dedicate franchise fee funds to implementing a program that provides incentives to switch from natural gas to renewable.

Action 9: Reduce the term of the franchise from 20 years to 10 years.

Action 10: Create a hybrid franchise fee structure: 1) fixed portion; and 2) variable fee based on carbon footprint of the natural gas delivered to the community.

Action 11: Prohibit the expansion of natural gas services unless NWN can demonstrate plans to decarbonize its product.

#### Other Actions Proposed by Eugene Activists

- Reduce emissions from natural gas use (including residential, commercial and industrial) to zero by January 2030,
- No new gas customers/expansion in Eugene starting ASAP
- Incentivize switching from natural gas to all electric
- Promote existing incentives and increase publicity
- No expansion into transportation sector
- Regulation by City via Franchise Agreement or in other ways
- Business workgroup to figure this out for Commercial and Industrial customers.
- Big community awareness and education piece

### **Fossil Gas Emissions Reduction Actions for Ashland**

The City of Ashland's 2017 Climate Energy Action Plan (CEAP) mandates 'Reducing Greenhouse Gas Emissions' through 'Support of cleaner energy sources' together with 'Promote switching to low and non-carbon fuels'.

The Climate Policy Commission (CPC) will work with the City Staff to develop short term and long-term policies and actions that reduce Fossil Gas emissions consistent with the CEAP goals and strategies. These policies and actions are needed to provide direction for the current and future use of fossil gas by City Operations and the Community while also providing support for building decarbonization through all electric construction.

### **Potential Ashland Actions to Support Fossil Gas Emissions Reduction**

#### Short Term

- Increase incentives for electrification of existing and new residential construction
- Require new single residential construction to have power service for full electrification
- Prohibit financial incentives for installing new natural gas service.
- Prohibit financial incentives for purchasing natural gas appliances
- Build community awareness of need to move off of fossil gas, get community feedback
- Organize business / commercial solutions working group to reduce fossil gas use
- Review fossil gas policy for City and Parks operations and facilities

#### Medium Term

- Require new subdivision residential construction to have power service for full electrification
- Research City vs State legal options to limit fossil gas infrastructure
- Research capability of Ashland's electric grid to replace energy sourced from Fossil Gas.
- Limit new natural gas and propane outdoor fixtures
- Revise Avista Franchise Agreement with Carbon Reduction Fee

#### Longer Term

- Require Avista to fuel switch to biogas and renewable hydrogen mix if not driven by State goals

## **Other Municipal Activity**

Eugene is the only known municipality in Oregon presently attempting to transition away from natural gas. The city of Portland's Franchise agreement expires in 2029.

So far, 42 California cities have adopted building codes to reduce their reliance on gas.

42. San Carlos- Requires newly constructed buildings and remodel projects that update more than 50% of the building to be all-electric with some exceptions.

41. Albany- Encourages newly constructed residential and commercial buildings to be electric preferred and requires mixed fuel buildings to exceed the California Energy Code.

40. Oakland- Requires all newly constructed buildings to be all-electric.

39. Ojai- Requires all-electric new construction for buildings with some exceptions.

38. Sunnyvale- Requires newly constructed residential and commercial buildings to be all-electric with an exemption for gas fuel cells. Restaurants may apply for an exemption.

37. Millbrae- Requires all-electric residential and commercial buildings with exemptions for laboratories, restaurants and gas cooking/fireplaces.

36. Los Altos- Requires all newly constructed buildings to be all-electric with exemptions for gas cooking/fireplaces in residential buildings with 9 units or less, laboratories and restaurants.

35. East Palo Alto- Requires that new residential and commercial buildings be all-electric, with exceptions for affordable housing, and commercial kitchens.

34. Redwood City- Adopted a reach code requiring all-electric new construction for commercial and residential buildings, with exceptions for multiple specific building types such as laboratories.

33. Piedmont- Promotes all-electric new construction for low-rise residential buildings and incentives electrification for renovations of low-rise residences.

32. San Anselmo- Promotes all electric housing by requiring higher energy efficiency requirements for mixed fuel projects and rewiring for all electric kitchens.

31. Burlingame- Requires all electric new construction for projects with exemptions for single-family and commercial projects for gas cooking and fireplaces.

30. Santa Cruz- Requires all electric new construction with exemptions for projects that are deemed to be in the public interest and for restaurant cooking.

29. Hayward- All new residential buildings are required to be all-electric and nonresidential and high-rise residential buildings are electric preferred. Mixed-fuel buildings must install solar panels, and the energy budget must be 10 percent better than code.

28. Richmond- Requires new residential buildings over three stories to have rewiring for electric readiness and to support all-electric clothes dryers and space and water heating. Allows gas to power

stoves and fireplaces. Requires all buildings under three stories to build all-electric and install a minimum amount of on-site solar based on square footage.

27. San Mateo County- Requires that no gas or propane plumbing is installed in new buildings, and that electricity be used as the energy source for water and space heating and cooking and clothes drying appliances.

26. Campbell- Requires all-electric space and water heating in new residential buildings, accessory dwelling units, and major remodels.

25. San Francisco recently expanded on their building electrification ordinance, now requiring that all new construction be all electric starting June 1st 2021

24. Los Altos Hills- Requires electric space and water heating in new low-rise residential buildings.

23. Cupertino- Requires all buildings, including accessory dwelling units, to be all-electric. Also requires outdoor pools, spas, and barbeques to be included within the definition of an all-electric building.

22. Los Gatos- Requires all newly constructed single-family and low-rise multifamily buildings to be all-electric.

21. Healdsburg- Requires electrification for most appliances but grants an exemption for gas cooking and fireplaces.

20. Brisbane- Requires all newly constructed single-family homes and low-rise multifamily buildings to be all-electric. Allows exemptions for cooking appliances but requires pre-wiring for electric readiness.

19. Saratoga- Requires all newly constructed buildings to be all-electric.

18. Mill Valley- Requires all newly constructed residential buildings to be all electric.

17. Pacifica- Requires electrification for most appliances but grants an exemption for gas cooking and fireplaces in new residential buildings. Requires water and space heaters, cooking appliances, fireplaces, and clothes dryers to be all-electric for new nonresidential buildings. Public agencies providing emergency services and nonresidential kitchens are exempted.

16. Santa Rosa- Requires all newly constructed low-rise residential buildings to be all-electric.

15. Milpitas- Limits gas infrastructure for newly constructed buildings on city-owned property.

14. Alameda- Limits gas infrastructure for new residential construction on city-owned property.

13. Palo Alto- Requires all newly constructed low-rise residential buildings to be all-electric, plus higher energy-efficiency standards and electrification readiness in mixed-fuel non-residential buildings. Will revisit all-electric requirement for non-residential new construction in 2021.

12. Morgan Hill- Phases out gas hookups in all newly constructed residential buildings and most nonresidential buildings.

11. Mountain View- Requires electrification for new residential and nonresidential buildings. Does not exempt gas stoves, fireplaces, or firepits in residential buildings.

10. Marin County- Offered three compliance pathways for newly constructed buildings in unincorporated buildings: one for all-electric construction, one for limited mixed-fuel construction that has fewer efficiency requirements because it uses less gas but allows gas stoves, and one for mixed-fuel construction that requires the most strict compliance with Cal Green Tier 1 and electrification-readiness requirements.
9. Davis- Requires higher energy-efficiency standards and electrification readiness in mixed-fuel buildings.
8. San Jose- San Jose passed a natural gas prohibition for all new building types, with limited temporary exemptions, becoming the largest city in the nation to do so.
7. Menlo Park- Requires all-electric new construction for residential buildings as well as new nonresidential buildings but allows an exemption for cooking appliances in low-rise residential buildings.
6. Santa Monica- Requires additional energy-efficiency measures for new residential and nonresidential buildings that use gas.
5. San Mateo- Requires new residential buildings and buildings with office-use to be all-electric. Adds additional requirements for rooftop solar and electric vehicle charging.
4. San Luis Obispo- Requires additional energy efficiency and electrification readiness for all newly constructed buildings and adds a small fee for new mixed-fuel buildings based on expected gas consumption.
3. Windsor- Mandates all-electric new construction for low-rise residential buildings, including single-family homes, multifamily homes with fewer than four stories, and detached accessory dwelling units ( but attached ones are exempt).
2. Berkeley- Phases out gas hookups in all newly constructed residential buildings and most nonresidential buildings.
1. Carlsbad- Requires heat pump water heaters or solar thermal water heating in new residential buildings that have fewer than four stories.