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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
MAY 21, 2009**

SUBJECT: FEDERAL LEGISLATION

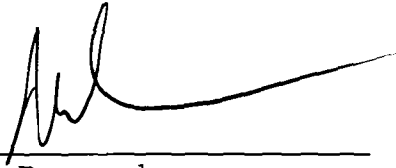
ACTION: ADOPT STAFF RECOMMENDATION

RECOMMENDATION

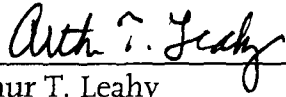
Adopt the following position:

H.R. 1329 (Blumenauer) Clean, Low-Emission, Affordable, New Transportation Efficiency Act (CLEAN-TEA Act) – Would set aside 10% of funds generated from a future cap and trade system and direct those funds to the transportation sector. **SUPPORT**

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BILL: H.R. 1329

AUTHOR: CONGRESSMAN EARL BLUMENAUER (D – OR)

SUBJECT: CAP AND TRADE - TRANSPORTATION BENEFIT

STATUS: HOUSE COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE, SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS MATERIALS

ACTION: SUPPORT

RECOMMENDATION

Adopt a SUPPORT position on H.R. 1329, the “Clean, Low Emission, Affordable, New Transportation Efficiency Act” (CLEAN-TEA Act), which would set aside 10% of proceeds from a comprehensive “cap and trade” program to fund transportation programs that reduce greenhouse gas emissions.

ISSUE

The 111th Congress is likely to consider and possibly adopt climate change legislation that would establish a market-based “cap and trade” system as a mechanism to reduce carbon emissions among electric utilities, oil companies and other large industrial sources. The exact manner in which cap and trade proceeds would be distributed and who would receive them remains an issue of intense debate in Washington, D.C. and across the country. It is estimated by the federal Office of Management and Budget (OMB) that the potential value of a cap and trade program may be as much as \$300 billion annually by 2020.

Earlier this year, Los Angeles area Congressman Henry Waxman (D-CA) and Congressman Ed Markey (D-MA) unveiled draft climate change legislation, “The American Clean Energy and Security Act of 2009.” While largely a comprehensive proposal, it leaves unanswered for the time being the question of how to allocate tradable emission allowances from a cap and trade system. The authors of the bill have indicated this issue will be addressed and ultimately resolved through an ongoing dialogue with their congressional colleagues.

H.R. 1329, the CLEAN-TEA Act, was introduced to fill the policy vacuum created when the Waxman-Markey draft legislation was circulated without a specific plan to allocate tradable emission allowances.

PROVISIONS

The CLEAN-TEA Act is predicated on the adoption of a comprehensive climate change bill that would generate revenue from a cap and trade system. CLEAN-TEA would require the Administrator of the Environmental Protection Agency (EPA), for each of calendar years

2012-2050, to auction 10% of emission allowances established under any EPA program providing for the reduction of greenhouse gas emissions and the auctioning of emission allowances. The bill would also deposit the auction proceeds into a Low Greenhouse Gas Transportation Fund to implement state and eligible regional or local entity greenhouse gas emission reduction plans, and provide funding to transit projects that help reduce such emissions. For areas like Los Angeles County, the bill would require eligible regional entities such as Metro to establish goals for reducing greenhouse gas emissions from the transportation sector for the next 10 years; and to develop transportation greenhouse gas emission reduction plans, including supporting lists of prioritized transit projects, that are integrated into state and eligible regional or local entity long-range transportation and transportation improvement plans.

Finally, the legislation directs the Secretary of Transportation and the EPA Administrator to contract with the Transportation Research Board of the National Academy of Sciences to study and report recommendations for improving research tools and federal data sources necessary to assess the effect of state and local transportation, land use, and environmental plans on motor vehicle use rates and transportation sector greenhouse gas emissions.

IMPACT ANALYSIS

According to the text of H.R. 1329, funds from the Low Greenhouse Gas Transportation Fund would be distributed based on a formula established by the EPA and U.S. Department of Transportation. Because the construct of this formula is yet to be determined, it is not possible to accurately estimate the financial benefit our agency would derive from the CLEAN-TEA Act. The legislation does make clear that we, as a regional agency, would be eligible for funds. States and local government would also be eligible for formula funds apportioned through this legislation.

Should the OMB's projection that the value of a cap and trade regime will amount to approximately \$300 billion annually (by FY2020) be accurate, the CLEAN-TEA Act would produce \$30 billion annually for the Low Greenhouse Gas Transportation Fund. That would, according to the bill's author, make these funds available to fund transit projects, passenger and rail projects, bike and pedestrian improvements and travel demand initiatives such as vanpools. Because our region faces the greatest mobility challenges in the nation, it would be prudent to conclude that a fund as envisioned in the CLEAN-TEA Act would be of substantial benefit to our agency.