

Assembly Bill 32: California Cap-and-Trade Program and FY 26 Projects

June 17, 2025

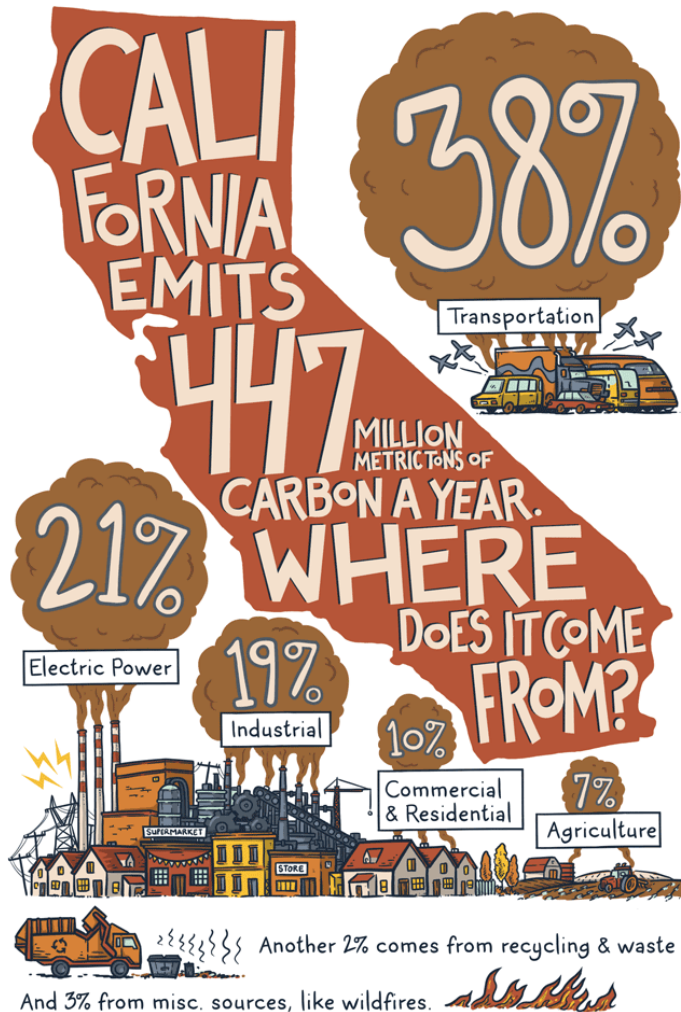
Cap-and-Trade Program



In 2006, under Governor Schwarzenegger, California adopted AB 32

- AB 32 is also called the California Global Warming Solutions Act
- Also known as the **Cap-and-Trade Program**

Cap-and-Trade Program



The Cap-and-Trade Program is statewide policy. It is intended to reduce greenhouse gas emissions.

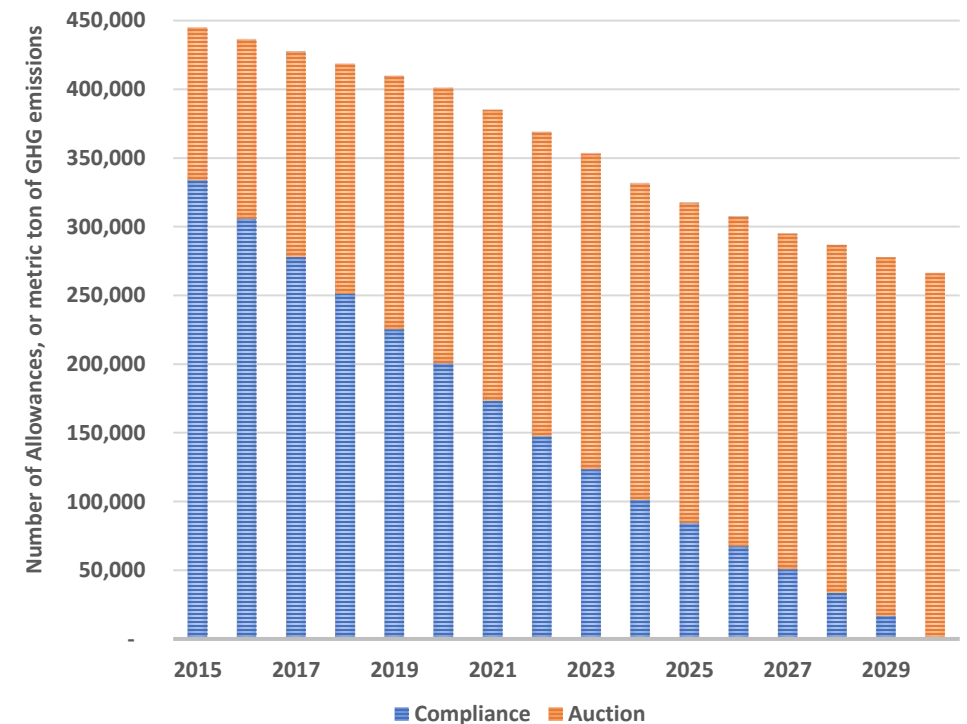
- The California Air Resources Board (CARB) governs the program
- Transportation, industrial, commercial, electric generation, and natural gas utilities are regulated
- Mandatory reporting for natural gas utilities began in 2015

How Cap-and-Trade Works

The Cap-and-Trade Program requires regulated industries to obtain one allowance for every metric ton of greenhouse gas emissions (GHG) emitted.

- The California Air Resources Board (CARB) establishes an **annual threshold for allowable GHG from natural gas operations** (i.e., the “Cap”)
- Utilities receives a decreasing number of free allowances each year
 - **Compliance** – The percentage of free allowances the Utilities can use to meet compliance needs decreases over time
 - **Auction** – The percentage of free allowances the Utilities must sell at auction increases over time

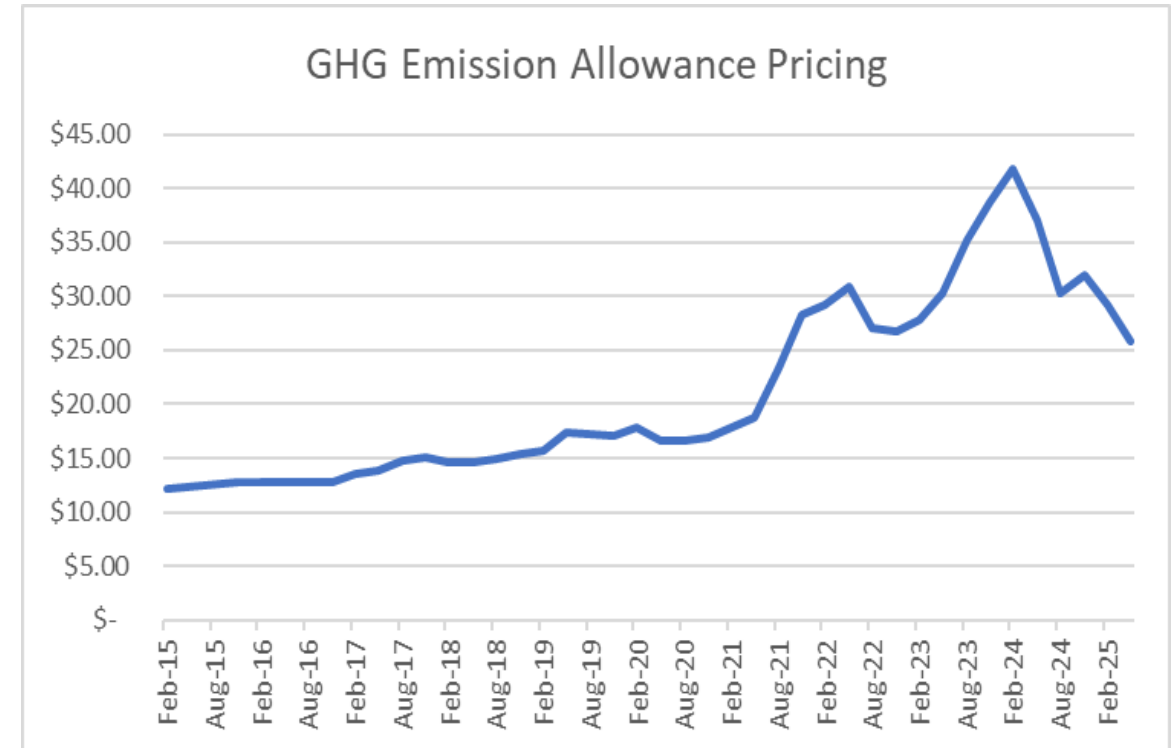
LONG BEACH PAST AND PROJECTED
CAP-AND-TRADE ALLOWANCES OVER TIME



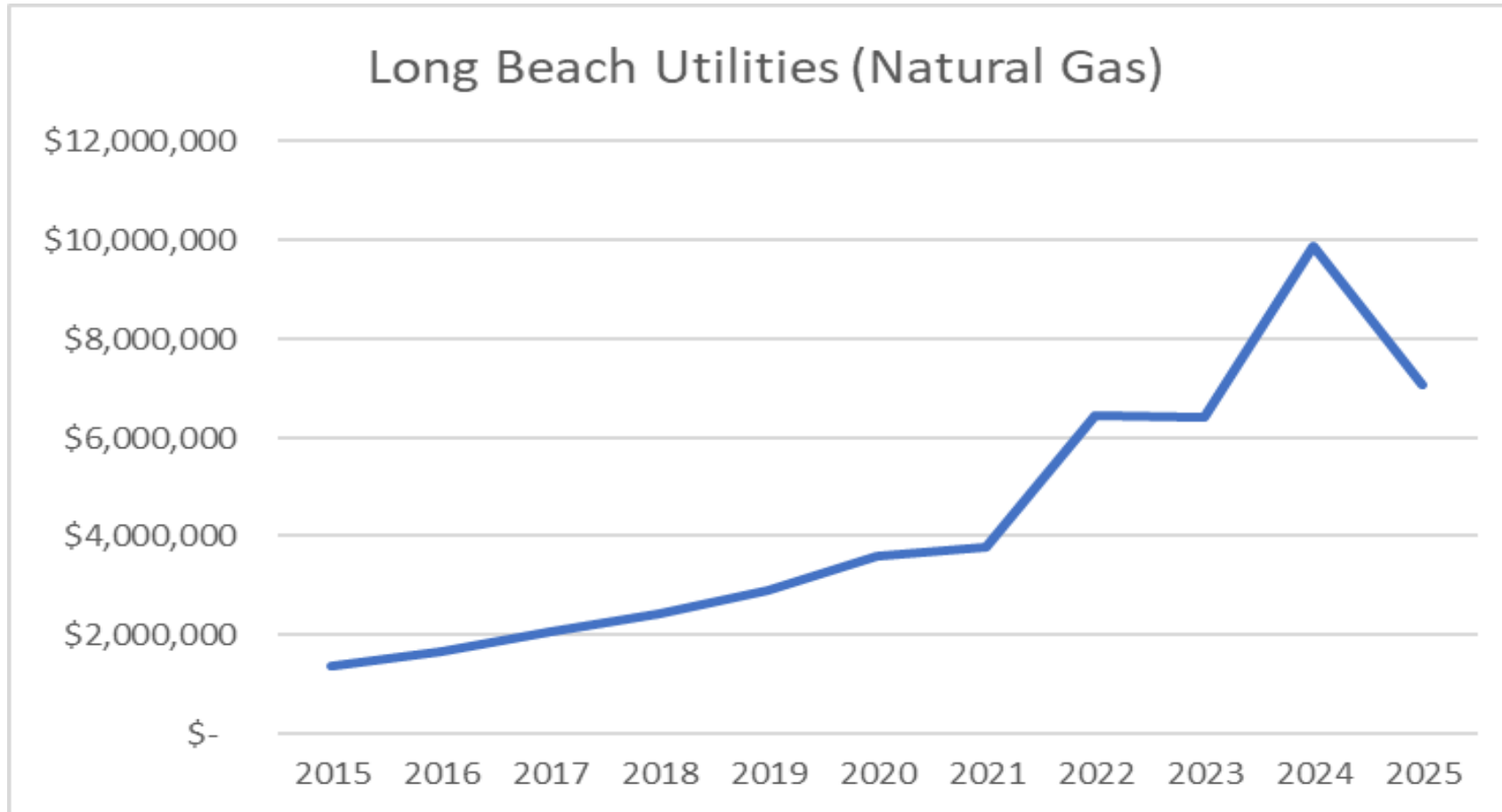
Cost of GHG Emission Allowances

Long Beach Utilities and all regulated entities within the Cap-and-Trade Program must sell a percentage of free greenhouse gas (GHG) emission allowances on a market-based platform each year.

- Historically, the percentage of GHG emission allowances sold at auction increases by 5% annually
- The price per GHG emission allowance varies quarterly



GHG Emission Allowance Revenues



Cap-and-Trade Funded Projects

From 2015-2023, Long Beach spent \$19.2 million in AB 32 funding.

- Majority of proceeds have been spent on rate reduction programs:
 - ✓ \$6.2 million in \$45 customer bill assistance rebates allocated to bring down high cost of natural gas bills (2023)
 - ✓ \$3.8 million was credited to ratepayers (2016)
- Energy efficiency projects received the next highest investment or 28% of all AB 32 funds spent, examples include:
 - ✓ \$131,868 Home Energy Efficiency Rebate Program (2023)
 - ✓ \$99,331 Direct Installation Appliance Program (2023)
 - ✓ \$470,593 Los Altos Library Energy Efficient Upgrades (2023)
 - ✓ \$927,719 North Health Facility Improvements (2021)
 - ✓ \$1,333,484 Citywide EV Charging Program Infrastructure (2020)

Recommended FY 26 Projects

Lead Department	Project	AB 32 Award	Description
Utilities	EERP-Single-Family Natural Gas Rebates	\$50,000	Single-family water and gas customer rebates for high-efficiency natural gas devices.
Utilities	EERP-Manufactured Home Natural Gas Rebates	\$50,000	Manufactured or mobile home, water, and gas customer rebates for high-efficiency natural gas devices.
Utilities	EERP-Multifamily Natural Gas Rebates	\$50,000	Multifamily water and gas customer rebates for high-efficiency natural gas devices.
Utilities	EERP-Com/Ind/Ins Natural Gas Rebates	\$100,000	Commercial, industrial, and institutional water and gas customer rebates for high-efficiency natural gas devices.
Utilities	DIA-Single-Family Direct Install Appliances	\$900,000	Single-family water and gas customer retrofits involve upgrading older devices to improve efficiency and replacing them with new, more efficient ones.

Recommended FY 26 Projects

Lead Department	Project	AB 32 Award	Description
Utilities	DIA-Multifamily Direct Install Appliances	\$400,000	Multifamily water and gas customer retrofits to older devices to improve efficiency and replace inefficient devices with new, efficient devices.
Utilities	DIA-Commercial/Industrial/Institutional Direct Install Appliances	\$400,000	Commercial, industrial, and institutional water and gas customer retrofits to older devices to improve efficiency and replace inefficient devices with new, efficient devices.
Utilities	DIA-Manufactured Homes Direct Install Appliances	\$300,000	Manufactured home water and gas customer retrofits to older devices to improve efficiency and replace inefficient devices with new, more efficient ones.

Recommended FY 26 Projects

Lead Department	Projects	AB 32 Award	Description
City Manager	Urban Forestry Tree Planting	\$100,000	Planting 1,000 trees to meet the tree planting goals listed in the Council-adopted Climate Action Plan to increase tree canopy coverage for carbon sequestration, and is the number of trees that can be planted in a year.
Financial Management	Mobile EV Charging Station	\$1,725,000	Procurement of a mobile EV charging station to support city fleet vehicles, serve local emergencies, and to be deployed for special events as needed.
Public Works	Dana Branch Library Roof Replacement	\$850,000	Replacement of the existing roof with a cool roof to increase solar reflectance, decrease heat absorption, and reduce energy consumption and GHG emissions.

Recommended FY 26 Projects

Lead Department	Project	AB 32 Award	Description
Public Works	Burnett Library Window Replacement	\$500,000	Replacement of existing aluminum-framed, fixed windows with new energy-efficient windows to increase energy efficiency.
Public Works	Municipal Urban Stormwater Treatment Facility EV Chargers	\$75,000	Installation of six to seven EV charging ports for public use.
Public Works	Burnett Library EV Chargers	\$1,200,000	Installation of four Level 2 ports and 2 Level 3 ports at Burnett library for public use.
Public Works	Ruth Bach Library EV Chargers	\$1,200,000	Installation of six Level 2 ports and two Level 3 ports at Ruth Bach Library for public use.

Recommended FY 26 Projects

Lead Department	Projects	AB 32 Award	Description
Public Works	702 W Anaheim (Year-Round Shelter)	\$500,000	Replacement of existing lighting with new energy efficient lighting to reduce energy consumption and GHG emissions
Public Works	Expo Building Solar Installation	\$500,000	Installation of roof-mounted solar PV configured to maximize the offset of existing electrical consumption and reduce GHG emissions associated with the energy use.
Public Works	Citywide Park Lighting	\$500,000	Converting existing park lights to energy efficient LED lighting.

FY 26 Total Proposed AB 32 Allocation: \$9.4 million

AB 32 Funded Utilities Programs



Let LBUD purchase and install for you!



Take a Do-It-Yourself approach!



Help promote efficiency across LBUD services!

Direct Install Appliances

Direct Install Appliances (DIA)

- Marketed to single-family and multi-family customers living across the LBUD service area, prioritizing customers in disadvantaged community areas
- Retrofit existing water and gas products with efficient devices
- Zero cost to resident

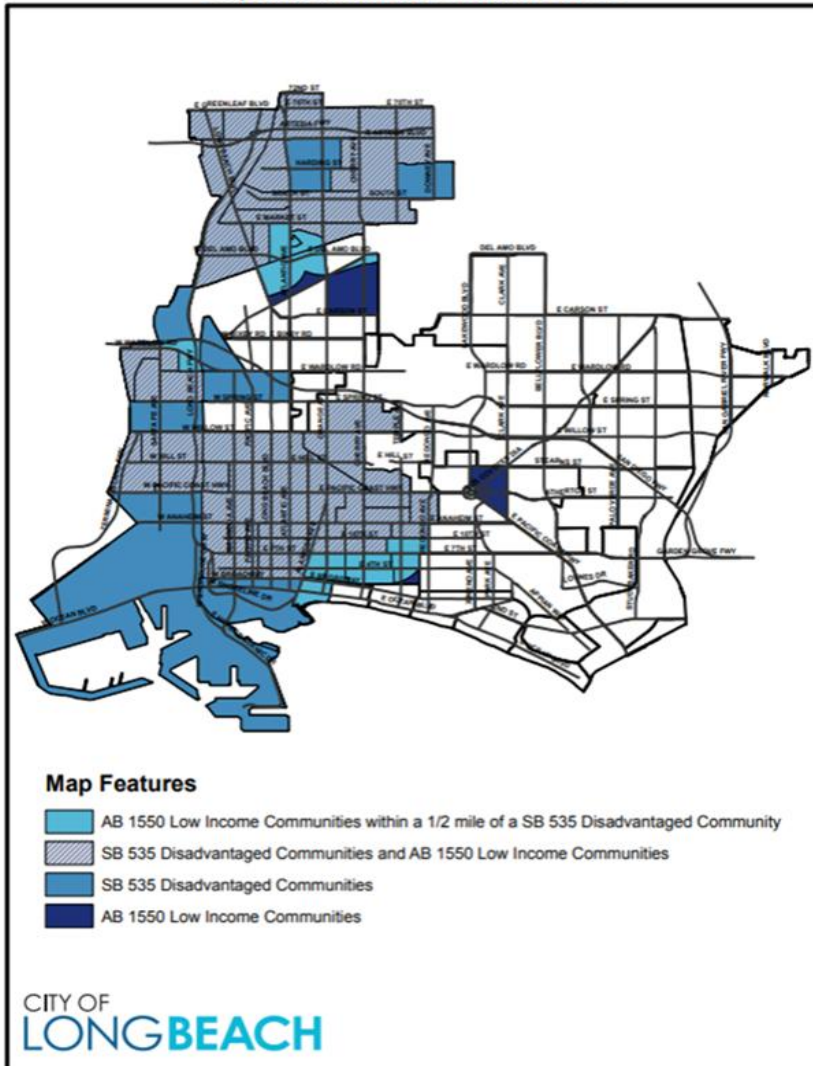
Program Expansion for FY 2026

- Program expanded to include customers in:
 - Commercial, Industrial and Institutional (CII) sectors
 - Master metered properties serving manufactured homes



Prioritizing Program Areas

Cap and Trade Investment Areas



Customer Application Area

- DIA continues to prioritize applicants within the AB 32 Cap and Trade Investment Areas using AB 1550 and SB 535 defined Disadvantaged Community areas for market outreach
- *And* provide the entire LBUD service area opportunity to apply as funding is available

Natural Gas Appliance Rebates

Program Activity FY 2025

- Applications processed: 46
- Most popular product: Tankless Water Heater
- Total rebate amount processed: \$33,656



Historical Program Activity

- FY 2021 - \$1,420
- FY 2022 - \$50,313
- FY 2023 - \$126,728
- FY 2024 - \$67,720

Program Expansion for FY 2026

- Provide single-family, multi-family, CII and manufactured home customers natural gas appliance rebate opportunities



2025 HOME ENERGY-EFFICIENCY REBATE PROGRAM APPLICATION			
GAS FIXTURES	INDOOR	 Natural Gas Oven	 Certified Natural Gas Dryer
	 Natural Gas Storage Water Heater	 Natural Gas Fireplace Inserts	
	 Natural Gas Tankless Water Heater	 ENERGY STAR Certified Natural Gas Furnace	
	OUT	 Natural Gas Pool Heater	 ENERGY STAR Solar Thermal Water Heating System

For more information and to apply for these rebates, visit: LongBeach.gov/energyresources

Certified Blue



Commercial customers

- Voluntarily meet high-efficiency requirements
- Free utility efficiency survey
- Recommend rebates and resources
- Promotion on LBUD social media

Program Expansion for FY 2026

- Provide natural gas rebate opportunities to CII
- Provide a CII version of the direct install appliances program for water and natural gas efficiency improvements

Recommendation

Authorize the General Manager to release Assembly Bill 32 (AB 32) Cap-and-Trade Program revenues generated through California's Cap-and-Trade Consignment Auction in Fiscal Year 2025 for qualifying Greenhouse Gas reduction programs and projects in FY 2026, in compliance with the California Global Warming Solutions Act of 2006.



LONG BEACH
Utilities
Water · Gas · Sewer