

# Minneapolis Climate and Equity Fund - Draft Ordinance by Topic

Just Transition Fund Coalition January 2023

As we begin the process of negotiating with the city of Minneapolis over our proposed ordinance, we will need to fight for what is most important to us. In order to fight effectively, we must first prioritize what pieces of the plan are most important. In the table below you will find the main topics covered by the plan. Topics to prioritize are italicized.

To give feedback on the ordinance email Kate Knuth at [kate@democracyandclimate.com](mailto:kate@democracyandclimate.com)

## Topics to prioritize

- *Dedicated fund* = Is this money required to be spent on climate equity, or will it be part of the general fund?
- *Amount raised* = Amount of money raised per year over the next 6 years
- *Source of revenue* = The mechanism is used to generate funds
- *Spending criteria* = How funds are allocated
- *Governance* = Who decides how funds are distributed
- *Progressive impact* = How to make sure fund helps rather than harms vulnerable communities

Topic	Ordinance Content
<b>Establish fund</b> Benefits: <ul style="list-style-type: none"> <li>• City can address both climate and equity crises</li> <li>• City can rebuild, creating both a new physical structure and telling a new story of Minneapolis</li> <li>• City can establish itself as a global climate and equity inspiration</li> </ul>	Under TITLE 3. AIR POLLUTION AND ENVIRONMENTAL PROTECTION  ARTICLE XX - CLIMATE AND EQUITY FUND  FUND ESTABLISHMENT There is hereby established a Climate and Equity Fund [hereafter the Fund] within the City of Minneapolis budget. The Fund will be funded by proceeds attached to the Pollution Control Annual Registration, natural gas franchise fee, and electricity franchise fee based on the social cost of carbon.
<b>Dedicated fund</b> Benefits:	Fees described in Funding Mechanisms section will be placed in the Fund. Funds may only be spent on purposes described in spending criteria and fund governance. Money in the Fund does not return to the general fund.

<p>Money not used for other city needs</p> <p>City council does not need to fight for this money every year</p> <p>City Sustainability dept can plan long term</p>	<p><b>Values</b></p> <p>Details of how to put these values into practice are described below.</p>
<p><b>FINDINGS AND PURPOSE</b></p> <p>Minneapolis is in the midst of a climate emergency. This climate emergency will make the racial, economic, and environmental injustice in Minneapolis worse unless the City proactively plans for and invests in a clean energy transition and climate resilience. This planning and investment must be at a scale commensurate with the challenges of a climate emergency and with the intent of lessening racial, economic, and environmental inequality. The purpose of the Climate and Equity Fund within the Minneapolis budget is to enable the City of Minneapolis to meet the challenges of the climate emergency and build climate resilience in a way that lessens racial, economic, and environmental inequity.</p>	<p><b>Amount raised</b></p> <p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>● Year one = approx \$10 million in 2023 revenue</li> <li>● Year two = \$20 million in 2024 revenue</li> <li>● Year three = \$35 million in 2025 revenue</li> <li>● Year four = \$66 million in 2026 revenue</li> <li>● Year five = \$92 million in 2027 revenue</li> <li>● Year six = \$118 million in 2028 revenue (and ongoing until need is met)</li> </ul>
<p><b>SOCIAL COST OF CARBON</b></p> <p>The social cost of carbon is determined by the City of Minneapolis. The social cost of carbon shall follow the following schedule</p> <ul style="list-style-type: none"> <li>- On October 1, 2023, the social cost of carbon shall be \$4 per metric tons of carbon dioxide (\$4/mT CO2e).</li> <li>- On October 1, 2024, the social cost of carbon shall be \$8 per metric tons of carbon dioxide (\$8/mT CO2e).</li> <li>- On October 1, 2025, the social cost of carbon shall be \$16 per metric tons of carbon dioxide (\$16/mT CO2e).</li> <li>- On October 1, 2026, the social cost of carbon shall be \$30 per metric tons of carbon dioxide (\$30/mT CO2e).</li> <li>- On October 1, 2027, the social cost of carbon shall be \$42 per metric tons of carbon dioxide (\$42/mT CO2e).</li> <li>- On October 1, 2028, the social cost of carbon shall be \$54.75 per metric tons of carbon dioxide (\$54.75/mT CO2e)</li> <li>- Each year thereafter Minneapolis shall determine the social cost of carbon as the basis for calculating franchise fees and any other fees based on the social cost of carbon.</li> </ul>	<p><b>SOCIAL COST OF CARBON</b></p> <p>The social cost of carbon is determined by the City of Minneapolis. The social cost of carbon shall follow the following schedule</p> <ul style="list-style-type: none"> <li>- On October 1, 2023, the social cost of carbon shall be \$4 per metric tons of carbon dioxide (\$4/mT CO2e).</li> <li>- On October 1, 2024, the social cost of carbon shall be \$8 per metric tons of carbon dioxide (\$8/mT CO2e).</li> <li>- On October 1, 2025, the social cost of carbon shall be \$16 per metric tons of carbon dioxide (\$16/mT CO2e).</li> <li>- On October 1, 2026, the social cost of carbon shall be \$30 per metric tons of carbon dioxide (\$30/mT CO2e).</li> <li>- On October 1, 2027, the social cost of carbon shall be \$42 per metric tons of carbon dioxide (\$42/mT CO2e).</li> <li>- On October 1, 2028, the social cost of carbon shall be \$54.75 per metric tons of carbon dioxide (\$54.75/mT CO2e)</li> <li>- Each year thereafter Minneapolis shall determine the social cost of carbon as the basis for calculating franchise fees and any other fees based on the social cost of carbon.</li> </ul>

<p><b>Values</b></p> <p>Details of how to put these values into practice are described below.</p>	<p><b>FUNDING MECHANISMS</b></p> <p>The Climate and Equity Fund can be funded with multiple revenue streams.</p> <p>Money in the Fund shall be raised using the following principles:</p> <ul style="list-style-type: none"> <li>- Revenues are raised using methods as simple to administer as possible</li> <li>- Raising Fund revenue requires compliance by the smallest number of entities while covering as much of the climate pollution as possible</li> <li>- Revenue should be raised in ways that protect the most vulnerable residents, institutions and businesses from significant cost increases</li> <li>- Provide flexibility to invest revenue in ways that minimize cost exposure of most vulnerable residents and businesses.</li> </ul>
<p><b>Source of revenue</b></p> <p>Benefit: City already uses Franchise Fee to generate climate related funds</p> <p>Cost: Polluters pay according to the amount they pollute</p>	<p><b>Social Cost of Carbon Franchise Fees:</b></p> <ul style="list-style-type: none"> <li>- Electricity Social Cost of Carbon: The Minneapolis electric utility franchise fee shall include a social cost of carbon component. This component of the franchise fee shall be calculated by multiplying the social cost of carbon as determined by the City in [section XX] by the carbon intensity of electricity delivered on the electricity grid. Revenue from this fee shall be put in the Climate and Equity Fund.</li> </ul>
<p><b>Amount raised</b></p> <p>Benefits described under <i>Amount Raised: Social Cost of Carbon</i> on page 2</p> <p>Cost: Approx \$1/mo for a household in the first year, \$5/mo in year 6</p>	<ul style="list-style-type: none"> <li>- Electricity Franchise Fee increases are as follows <ul style="list-style-type: none"> <li>- On October 1, 2023, the rate shall be \$0.001/kWH</li> <li>- On October 1, 2024, the rate shall be \$0.0017/kWH</li> <li>- On October 1, 2025, the rate shall be \$0.0026/kWH</li> <li>- On October 1, 2026, the rate shall be \$0.0047/kWH</li> <li>- On October 1, 2027, the rate shall be \$0.0064/kWH</li> <li>- On October 1, 2028, the rate shall be \$0.0076/kWH</li> <li>- From October 1, 2029 and thereafter, the rate shall be the product of the social cost of carbon as determined by the City and the carbon intensity of electricity delivered on the electricity grid.</li> </ul> </li> </ul>
<p><b>Source of revenue</b></p> <p>Benefit: City already uses Franchise Fee to generate climate related funds</p>	<ul style="list-style-type: none"> <li>- Gas Social Cost of Carbon: A social cost of carbon component shall be added to the Minneapolis gas utility franchise fee. This gas utility social cost of carbon franchise fee revenue shall be placed in the Climate and Equity Fund. This component of the franchise</li> </ul>

<p>Cost: Polluters pay according to the amount they pollute</p> <p>Approx \$2/mo for a household in the first year, \$12/mo in year 6</p>	<p>fee shall be calculated by multiplying the social costs of carbon as determined by the City in [section XX] by the CO2e of delivered fuel based on the \$/therm equivalent of the \$/MT rates set</p> <ul style="list-style-type: none"> <li>- For utility delivered fossil gas: <ul style="list-style-type: none"> <li>- On October 1, 2023, the rate shall be \$0.0219/therm</li> <li>- On October 1, 2024, the rate shall be \$0.0438/therm</li> <li>- On October 1, 2025, the rate shall be \$0.0877/therm</li> <li>- On October 1, 2026, the rate shall be \$0.1644/therm</li> <li>- On October 1, 2027, the rate shall be \$0.2301/therm</li> </ul> </li> <li>- On October 1, 2028, the rate shall \$0.3000/therm</li> </ul>
<p><b>Source of revenue</b></p> <p>Benefit: PCAR is a fee that would disappear once the source of pollution disappears</p> <p>Improved air quality and health outcomes</p> <p>Cost: Polluters pay according to the amount they pollute</p> <p>No cost for residents</p>	<p><b>Pollution Control Annual Registration Social Cost of Carbon Fee</b></p> <p>A social cost of carbon component shall be added to the Pollution Control Annual Registration fee. Revenue from the Social Cost of Carbon Pollution Control Annual Registration fee shall be put in the Climate and Equity Fund. This fee does not apply to gas distributed by the gas utility. The fee applies to the burning of all other delivered fossil fuels by businesses and institutions operating diesel, fuel oil, or gas generators; cogeneration plants, incinerators; boilers; and any other operation operating that must complete a Pollution Control Annual Registration.</p>
<p><b>Amount raised</b></p> <p>Benefits described under <i>Amount Raised: Social Cost of Carbon</i> on page 2</p>	<p>The fee shall be calculated based on the City of Minneapolis social cost of carbon multiplied by the carbon intensity of the delivered fuel.</p>
<p><b>Spending criteria - Project type</b></p> <p>Benefits:</p> <p>Prioritize funding for projects that maximize both greenhouse gas emission reductions and racial equity</p>	<p>In order to speed the transition to equitable, carbon-free energy in Minneapolis the money in the Climate and Equity Fund must be allocated to projects meet the following spending criteria annually:</p> <ul style="list-style-type: none"> <li>- At least 50% of funds annually must be spent on upgrading buildings to make them more energy-smart and on creating community-based clean energy solutions. This category includes, but is not limited to, pre-weatherization measures, weatherization,</li> </ul>

<p>Allow spending on community designed projects</p>	<ul style="list-style-type: none"> <li>- deep energy retrofits, building electrification, and locally-owned clean energy.</li> <li>- At least 15% on workforce and small enterprise development</li> <li>- At least 10% on safe, healthy, climate-resilient neighborhoods connected by carbon-free transportation options</li> <li>- At least 5% on innovative community solutions</li> </ul>
<p><b>Spending criteria - Project management</b></p> <p>Benefits:</p> <p>Prioritize funding for large, long-term projects that maximize both greenhouse gas emission reductions and racial equity</p> <p>Allow spending on community designed projects</p>	<p>Funds in the Climate and Equity Fund must be allocated annually to the following types of project management</p> <ul style="list-style-type: none"> <li>- At least 50% of funds must be spent on ongoing program funding</li> <li>- At least 25% of funds must be spent on revolving loan funds or funding pools</li> <li>- At least 10% of funds must be spent on direct grants to projects or organizations</li> </ul>
<p><b>Progressive impact</b></p> <p>Benefits:</p> <p>Prioritize funding in low income communities and communities of color</p>	<p>Funding priority shall be given to programs, projects, and organizations that reduce inequity in energy cost burden and pollution burden and build equity in wealth and health. The following are criteria to prioritize spending:</p> <ul style="list-style-type: none"> <li>- Residential buildings and small businesses located in the North Side Green Zone</li> <li>- Residential buildings and small businesses located in the South Side Green Zone</li> <li>- Energy efficient and healthy school buildings</li> <li>- Renewable energy projects serving school buildings</li> <li>- Multi-unit housing serving low-income or senior residents</li> <li>- Hospitals</li> <li>- Public housing</li> <li>- Residential units occupied by renters</li> <li>- Residential units occupied by low- and moderate-income residents</li> <li>- Clean energy workforce and business development opportunities serving low- and moderate-income residents and Black, Indigenous, immigrant, and people of color residents</li> </ul>

<p><b>Governance</b></p> <p>Benefit: Community representation helps ensure most vulnerable and most impacted community needs are heard and met</p>	<p>Create a <b>Climate and Equity Process and Committee</b> designed to center the needs and leadership of most highly-impacted communities in how the Fund is invested while drawing on expertise relevant to the PCEP vision. This Climate and Equity Process and Committee takes inspiration from the Capital Long-Range Improvement Process and Committee that exists in the City already.</p> <p>Members of the Climate and Equity Process and Committee would be:</p> <ol style="list-style-type: none"> <li>a. Appointed for 2 year terms with the possibility for reappointment. With vacancies to be appointed by the body that nominated the position being vacated.</li> <li>b. Appointed by Northside Green Zone, Southside Green Zone, and possibly the Minneapolis Legislative Delegation, Neighborhood and Community Engagement committee reps, City Council and the Mayor</li> <li>c. All of the reps (community members and experts) will be chosen with a preference for BIPOC members</li> <li>d. Represent the following areas of expertise: <ol style="list-style-type: none"> <li>1. Renewable Energy Development</li> <li>2. Energy conservation/efficiency</li> <li>3. Public health</li> <li>4. Climate Justice/EnergyJustice</li> <li>5. Labor</li> <li>6. Housing Justice</li> </ol> </li> <li>e. Paid for their time</li> </ol>
<p><b>Progressive impact</b></p> <p>Benefit:</p> <p>Exemptions ensure the costs of the fund impact most vulnerable people less.</p>	<p><b>EXEMPTIONS</b></p> <p>The following are exempted from the social cost of carbon franchise fees and social cost of carbon pollution control annual registration fee until 202X</p> <ul style="list-style-type: none"> <li>- Residential customers of the electric utility</li> <li>- Residential customers of the gas utility</li> <li>- Schools</li> <li>- Hospitals</li> <li>- Congregate care facilities serving senior residents</li> </ul>