



DATE: March 10, 2025
TO: Council Sustainability Committee
FROM: Director of Public Works
SUBJECT: City of Richmond's Agreement with Chevron

RECOMMENDATION

That the City Council Sustainability Committee (CSC) reviews and comments on this report.

SUMMARY

This report presents a summary of the settlement agreement between the City of Richmond and Chevron regarding the impacts of Chevron's oil refinery on the Richmond community. A brief summary of other efforts to tax fossil fuels as well as an alternative approach is also included.

BACKGROUND

In 2024, the City of Richmond considered including on its November 2024 ballot a measure that would have taxed oil refining. The ballot measure was withdrawn after the City of Richmond and Chevron reached a settlement agreement. At the Council Sustainability Committee (CSC) meeting on September 16, 2024, during the Agenda Planning discussion, the Committee requested that staff provide a report on the recent settlement agreement between the City of Richmond and Chevron.

The City of Hayward currently taxes all investor-owned utilities, including electricity, natural gas, communication services and cable television. Hayward's utility users tax (UUT) was approved by voters in 2009 and extended as Measure D during a special election in 2016. The UUT, as detailed in Chapter 8, Article 18 of the Hayward Municipal Code, is 5.5% and is scheduled to end on June 30, 2039. The UUT is expected to generate approximately \$24 million in FY 2025. On July 13, 2020, staff presented to the CSC a report about a possible Health and Climate Resilience Tax Credit ballot measure.¹ The measure would have decreased by 1% Hayward's UUT for residential natural gas and it would have increased by up to 5% the UUT for natural gas for large commercial customers. The CSC

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4590666&GUID=DCFAFBE6-3E69-4945-9AC2-30E95C111BDA&Options=&Search=>

agreed with staff's recommendation to not pursue the ballot measure for the November 2020 election.

DISCUSSION

On June 18, 2024, the City of Richmond City Council approved for the November election a ballot measure that would have, if approved by voters, established a new business license tax on oil refining.² The tax would have been \$1 per barrel of feedstock (oil or raw material used in the refining process) and would have expired after 50 years. It was estimated that the tax would generate between \$60 million and \$90 million annually. The tax was proposed by Communities for a Better Environment Action and the Asian Pacific Environmental Network to mitigate the impacts of Chevron's refinery including environmental impacts, public health impacts, and emergency services impacts.

In August 2024, under the threat of a lawsuit, the Richmond City Council pulled the ballot measure after reaching a settlement agreement worth \$550 million with Chevron. Under the ten-year agreement, Chevron will pay \$50 million a year for the first five years and \$60 million annually in years six through ten.

Another potential tax on the use of fossil fuels considered by a Bay Area city in 2024 was Measure GG in the City of Berkeley. The tax on fossil natural gas would have applied to commercial buildings 15,000 square feet and larger and would have been \$2.9647 per therm consumed annually. For context, current natural gas rates are approximately \$2.44 per therm for residential customers and approximately \$2.04 per therm for large commercial customers.³ ⁴ The tax was rejected by 69% of voters in Berkeley.

Building Performance Standards – Rather than taxing the use of fossil fuels, a more direct approach to achieving reductions in gas use and greenhouse gas (GHG) emissions may be to adopt a Building Performance Standard (BPS). As mentioned in staff's reports dated January 13, 2025, and March 11, 2024, staff is exploring a potential BPS program for Hayward that would require larger buildings to limit emissions of greenhouse gases.

There are many cities across the U.S. with a BPS adopted or in development.⁵ San Francisco and Berkeley were going work together with other Bay Area agencies to develop a BPS, however the project is on hold due to the uncertainty of their grant funding from the US Department of Energy. The California Energy Commission is currently preparing a Building Energy Performance Strategy Report. The report is scheduled to be completed by August 2026 and is expected to be a roadmap for a statewide BPS.

² <https://pub-richmond.escribemeetings.com/FileStream.ashx?DocumentId=54267>

³ <https://www.berkeleyside.org/2024/10/04/measure-gg-a-new-tax-on-natural-gas-use-in-big-berkeley-buildings>

⁴ <https://www.latimes.com/environment/newsletter/2024-11-21/column-why-californias-favorite-bagel-shop-is-defending-fossil-fuels-boiling-point>

⁵ <https://imt.org/public-policy/building-performance-standards/>

An example of an adopted BPS is the San Jose’s Energy and Water Building Performance Ordinance.⁶ It requires that buildings 20,000 square feet or larger must report on energy and water consumption and must meet minimum efficiency standards such as a minimum Energy Star score, a maximum Energy Use Intensity, and a maximum Water Use Intensity.

A BPS would be an effective way to address large users of fossil natural gas and more directly contribute to achieving the City’s long term GHG emissions reduction goals.

ECONOMIC IMPACT

There are no economic impacts associated with this agenda item.

FISCAL IMPACT

There are no fiscal impacts associated with this agenda item.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority to *Confront Climate Crisis & Champion Environmental Justice*, and specifically relates to implementation of the following Project under that heading:

Reduce Greenhouse Gases and Dependency on Fossil Fuels:

Project C1: Implement Year 1 Programs from the adopted GHG Roadmap (Climate Action Plan).

SUSTAINABILITY FEATURES

GHG emissions from fossil natural gas appliances account for more than a quarter of the City’s emissions. Reducing the use of fossil natural gas will reduce emissions and is critical to achieving the City’s long term GHG reduction goals.

PUBLIC CONTACT

No public contact has been made for this item.

⁶ <https://www.sanjoseca.gov/your-government/departments-offices/environmental-services/climate-smart-san-jos/energy-and-water-building-performance-ordinance>

NEXT STEPS

Staff will continue to explore the possible implementation of a BPS in Hayward and intends to present more information about a possible BPS later this year.

Prepared by: Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read "Dr. Alvarez", written over a horizontal line.

Dr. Ana M. Alvarez, City Manager