

2009 BUDGET MEMORANDUM ENVIRONMENT PROGRAM

OVERVIEW

The Environment Program is dedicated to protecting the great ecosystems of the North American West and dramatically lowering global emissions of greenhouse gases and traditional pollutants. In 2008, the Hewlett Foundation increased its support for work by grantees to win the battle against climate change with a strategy designed to ensure that global average temperatures do not increase by more than 2°C. Grantees will work in the top emitting nations to establish low-carbon energy policies and to reduce the rate of deforestation in the world's largest, most threatened tropical rainforests. The goal is to reduce annual carbon emissions by at least 30 billion tons by 2030.

In addition to efforts to address global climate change, in 2008 the Program continued to support grantees working to protect the North American West, engage new environmental constituencies, and reduce air pollution in China, Mexico, and Brazil through improved transit and urban design.

In 2009, the Program will focus on two areas: western conservation and energy and climate. The western conservation component is in the middle of a strategic planning process. The results of this assessment will drive a Board discussion about the western conservation work.

In energy and climate, we will continue our focus on growing and strengthening the global climate policy work described above while assessing and determining the future of the other parts of Hewlett energy and climate work.

COMPONENT: The West

The Environment Program seeks to protect the great ecosystems of the North American West. Our western strategies focus on protecting wilderness, increasing public funding for private land conservation, improving river flows, increasing energy efficiency and renewable energy investments, and pursuing responsible fossil fuel development and use.

Lands

Grantees were successful on several fronts in 2008, especially in protecting large-scale wilderness. Working with several Canadian provinces and First Nations, the International Boreal Conservation Campaign succeeded in conserving 75 million acres of wild forestland in the Boreal Forest—the world's second-largest intact forest ecosystem. The result—roadless protection for an area larger than the state of Arizona—exceeds by sevenfold the land protection goals established for the Boreal campaign this year. This was in addition to the Great Bear Rainforest commitments finalized in 2008, and now being implemented, to protect 21 million acres of wild temperate rainforest in British Columbia through a groundbreaking partnership among First Nations, timber interests, environmental groups, and government. The ecosystem-based management plans, which determine how the Great Bear Rainforest will be managed over time, are due to be completed in 2009.

Wilderness protection efforts in the United States continued to make steady progress, with our grantees creating a policy environment in which thirteen western wilderness protection proposals totaling 1.8 million acres are under consideration for Congressional action.

Grantees delivered strong performance in increasing public funding available for private land conservation in the West. Their work helped prompt \$500 million in new public funds from local, state, and federal sources for open space protection. The largest single commitment—\$250 million in federal funding—is critical to the protection of 320,000 acres of Plum Creek Timber Company timberland in northwest Montana near Glacier National Park. Additional private and state funds are needed to complete this purchase and are expected in 2009.

Water

In 2008, Colorado strengthened its water policies to compensate upstream water rights owners—often ranching families—for leaving water in rivers and streams. This provides big benefits to fish, plants, and animals dependent on riparian areas. Just as important as this compensation for increased river flows is the discontinuation of policies requiring water rights owners to use all their water or forfeit part of their rights in all future years. Grantees are working on similar policies throughout the West to increase river flows. In Oregon, farmers, commercial fishermen, Native American tribes, and environmental groups forged an agreement on water use in the Klamath River basin that sets the stage for negotiations with PacificCorps Inc. regarding the potential removal of four large dams the corporation operates on the river.

Energy

Efforts to address fossil fuel development and use achieved mixed results in 2008. On the positive side, new policies and public funding commitments promise to reduce truck pollution across the state, and in particular for southern California. Hewlett grantees celebrated a milestone on October 2, 2008 when the Clean Truck Plan went into effect at the Los Angeles and Long Beach ports—the state’s single largest source of toxic diesel emissions. The dirtiest trucks—pre-1989 models—are now banned from taking goods to and from the ports. By 2012, all trucks must meet 2007 federal emission standards. If the plan is fully implemented, truck pollution will be cut by 80 percent in the next five years.

Achieving this will require additional financing and successful defenses against legal challenges. Although the California state legislature approved an additional \$350 million to reduce pollution from all the state’s ports, the measure was vetoed. Supported by the Hewlett Foundation and other funders, grantees will explore other financing options in 2009.

California also adopted a first-of-its-kind “Statewide Truck and Bus Rule” establishing the nation’s strictest standards for diesel emissions – the single largest source of toxic pollution in the state. Hewlett grantees were key to the collaboration that mobilized support in the midst of a tough economy. This live-saving rule will lower emissions from the 1 million plus truck and bus fleet by 68% by 2014, compared to what emissions would have been without the regulation. An estimated \$48-\$69 billion in health care costs will be saved.

Grantees were instrumental in mobilizing support from businesses, doctors, unions, and Latino organizations to achieve these successes

Work to shut down existing coal-fired power plants and prevent approval of new ones was also successful. In Colorado, Xcel Energy secured approval from the state Public Utilities Commission to shut down two coal-fired power plants in Denver and Grand Junction. The utility plans to replace the lost electric-generation capacity with 1,450 megawatts of solar and wind facilities and to reduce demand by 120 megawatts through new energy efficiency measures. In Nevada, Senator Harry Reid took the unprecedented step of calling for the state to shift from new coal plant development toward renewable energy. The senator's action, in combination with work by several grantees, helped prompt Sierra Pacific Resources to put plans on hold for a new, 2,500-megawatt coal power plant in White Pine County, Nevada.

Unfortunately, in a number of western states, work aimed at preventing irresponsible oil and gas development was unsuccessful. Federal leasing of public land for fossil fuel development in Colorado, Utah, and Wyoming increased significantly, as did development of Alberta's tar sands.

As gas prices rose this spring and summer, proponents of oil shale development in the Intermountain West gained traction. Despite opposition from ranchers, hunters, anglers, and environmental groups, an existing moratorium on commercial oil shale development was eliminated as a result of language inserted into the economic recovery package passed in early October 2008.

Efforts to adopt energy efficiency and renewable energy policies in the West made real progress in 2008. Western governors launched a joint effort to identify appropriate zones for renewable energy development. The project is charged with mapping areas for solar, wind, and geothermal development that will minimize environmental harm to land, water, and habitat resources. It will also identify environmentally responsible routes for new transmission lines to carry renewable energy to the western power grid and ultimately to power markets in major metropolitan areas throughout the region.

With a new federal administration taking office in January 2009, the Program will adjust specific wilderness, western water, public funding, and energy strategies to align with the interests and policy priorities of the incoming administration. Regardless of changes at the federal level, state-based efforts will continue, with intermediate outcomes focused on water policy improvements in Idaho, Montana, Utah, and Wyoming. Land conservation advocates will work to prompt an additional \$300 million to \$400 million in public funding for private land conservation. Boreal Forest conservation work in northern Canada will build on 2008 successes to protect an additional 50 million acres of wilderness. Landmark agreements will be pursued for removal of four dams on the Klamath River in Oregon and the protection of 4 million acres of wilderness in Alaska's Tongass National Forest.

In addition, the Program will increase its focus on two specific western energy issues: (1) preventing development of high-carbon transportation fuels, such as oil shale and tar sands; and (2) encouraging renewable energy development in appropriate locations in the West.

COMPONENT: Energy and Climate

The Environment Program seeks to dramatically reduce the emissions of greenhouse gases and conventional pollutants worldwide. Our energy and climate strategy supports grantees focused on limiting global temperature rise to less than 2°C, adopting a climate policy in the United States, and reducing emissions from the transportation sector in fast-growing countries like China, Mexico, and Brazil.

Global Climate Policy

The Hewlett Foundation increased significantly its work on global climate policy, building on existing capacity in the United States, China, and Europe. In addition, plans are underway for work in India, Latin America, and on forestry issues. Hewlett Foundation staff will play a particularly influential role in determining the content, structure, and funding for the work in Latin America, given our experience in Mexico and Brazil over the last six years. Finally, important and promising work has begun to promote a post-Kyoto framework, based on the Bali Roadmap for the Copenhagen summit in December 2009.

National Energy Policy

A major indicator of progress over the past year was the requirement that vehicles must average 35 miles per gallon by 2020, up from approximately 25 miles per gallon for today's fleet. The new requirement is part of the Energy Independence and Security Act, signed by President Bush at the end of 2007. This 40 percent increase in fuel economy will drastically improve energy efficiency and reduce greenhouse gas emissions. The efficiency gains will create consumer savings in fuel costs of \$71 billion per year in 2020, and \$161 billion in 2030.¹ In addition, the new standards will reduce U.S. CO₂ emissions by 320 million metric tons in 2020, and 675 million metric tons in 2030, representing reductions in passenger vehicle emissions of 15 percent and 30 percent respectively, over business as usual. And these gains will be made without sacrificing vehicle performance or safety. This, the largest climate and energy victory for the United States in thirty years, was a decade in the making and the result of diligent, determined efforts by Hewlett Foundation grantees working with support from multiple funders.

Sustainable Transportation

Internationally, the Program continues to support grantees pushing ahead on the climate and energy policies that hold the most promise of lowering carbon and other more localized air pollutants while generating significant gains for the local economy. Transportation sits at the nexus of these two concerns. The strategy promotes high-quality public transportation, green buildings, and clean vehicles and fuels. Bus Rapid Transit (BRT) continues to enjoy increasing appeal in China and Latin America. These efforts cut CO₂ emissions by half and conventional pollutants, like NO_x, by even more. And up to 10 percent of car owners are switching from using their cars to using public transportation. Nearly twenty Chinese cities are either expanding existing, or building new, systems. Mexico City will build three more lines by 2009, and a new

¹ Calculations using \$90/barrel oil, \$3/gallon gasoline. If oil and gasoline are more expensive, savings will be even greater.

BRT system in the country's second largest city, Guadalajara, is under construction. Interest in green buildings and fuel economy standards continues to gain traction with policymakers and civil society in each of our priority countries. We expect significant results in both areas in 2009.

It is notable that the focus of policy debates in the U.S., China, Mexico, and Brazil in 2008 was not on *whether*, but *how*, to deal with greenhouse gas emissions—an important shift. In China, Mexico, and Brazil, state-run oil companies continue to block the widespread production of clean fuels. However, grantees in each country expect much better results next year.

The energy and climate portfolio is poised for strong performance in 2009. Grantees are providing technical assistance to agencies on key decisions concerning clean fuels, tighter vehicle standards, climate action, and world-class public transportation. In the United States, grantees intend to track the implementation of the Energy Independence and Security Act and the progress of federal climate legislation to include a price on carbon. In California, we will support grantee efforts to strengthen climate and transportation policies. In China, we will continue supporting grantees focused on sustainable city design and helping the government create a low-carbon economy for the country. In Latin America, we will support grantee efforts to secure commitments to clean fuels and real progress on standards for vehicle emissions and fuel economy.

In December 2008 the California the state Air Resources Board (CARB) adopted the “Scoping Plan” setting the implementation goals for the state’s landmark Global Warming Bill. This included critical clean air provisions developed by grantees with the support of the Hewlett Foundation and tother funders to ensure that low-income communities and communities of color that currently bear the brunt of air pollution’s impacts will be protected from further harm, or even benefit from reduced pollution as greenhouse gas goals are pursued. In 2009 grantees efforts will focus on ensuring that CARB meets these commitments.

Finally, we anticipate that grantees’ efforts will lead to the adoption of a successor treaty to the Kyoto Protocol through the work focused on the December 2009 Copenhagen summit.