

# **A Fort Collins Large Methane User Fee**

**How would a Large Methane User Fee help Fort Collins meet its climate goals and promote climate justice?**

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# Fort Collins Sustainability Group - Background

- The Fort Collins Sustainability Group (FCSG) develops and advocates strategies for becoming a sustainable community, with a focus on reducing greenhouse gas emissions to levels consistent with a stable climate.
- We formed in 2005, and have been active ever since.
- The FCSG is an “affiliate” of NCALF.
- Website: <https://www.focosustainability.org>

# The Problem:

- 25% of Fort Collins' greenhouse gas (GHG) pollution comes from burning methane (aka natural gas) within city boundaries.
- Just over half of that pollution comes from commercial and industrial establishments.
- Methane cannot be “decarbonized” in the way that electricity can be by replacing fossil fuel generation with wind and solar.

# How Can We Reduce GHG Pollution from Methane?

- Encourage residents and businesses to reduce their use of methane through conservation and efficiency.
- Substitute methane-burning appliances with electric appliances (e.g. replace gas furnaces with heat pumps).

# Why Focus on Large Methane Users?

- A relatively small number of industrial and commercial establishments are responsible for nearly half (40%) of the GHG pollution that comes from burning methane in Fort Collins.
- Fort Collins voters recently approved a ½ % sales tax increase to pay for climate initiatives and other city programs. It's time for industry and other large polluters to step up, too.

# Background on Methane Franchise Fee (Slide 1 of 2)

- Earlier this year, the City was planning to increase the franchise fee on methane for ALL methane users (residential, commercial, and industrial) from 1.07% to 3.00%.
- The use of the additional funds would have been unrestricted – City Council could have used the money however they wished.

# Background on Methane Franchise Fee (Slide 2 of 2)

- As a result of extensive community outreach opposing this proposal, consideration of a franchise fee increase has been postponed indefinitely.
- Thanks to everyone who wrote to City Council on this issue!

# Our Proposal:

- Establish a “Large Methane User Fee” (LMUF) on all methane use exceeding a relatively high annual minimum.
- Use the revenue collected to set a up a fund that could be accessed by businesses subject to the fee to implement projects that would reduce their methane use.

# Details:

- A LMUF of 10 - 15% applying to all use exceeding 10,000 therms per year by individual businesses would raise \$2.5 - \$3.8 million per year.
- About 30 industrial establishments and 700 commercial buildings would be subject to this fee.
- Large Methane Users could apply for incentive payments to help them add insulation, improve building controls and purchase electric appliances to help them reduce their methane use.

# First Example (Slide 1 of 3)

- A real estate holding company owns a 25,000 square foot office building using 12,000 therms of methane per year.
- The company pays the LMUF of 15% on  $12,000 - 10,000 = 2,000$  therms in Year 1. This equates to \$240.

# First Example (Slide 2 of 3)

- The company applies for and receives an incentive of \$10,000 to improve the performance of the building's energy management system and add insulation to its roof.
- These improvements help the building reduce its methane use by 25% to 9,000 therms per year. It pays no LMUF in Year 2 because its usage has dropped below the annual LMUF minimum.

# First Example (Slide 3 of 3)

- Average monthly bill BEFORE upgrades:  
\$870 for 1,000 therms of methane
- Average monthly bill AFTER upgrades:  
\$650 for 750 therms of methane
- Average monthly bill decreases by 25%!

The above comparison assumes a fixed utility bill charge of \$50 per month, and includes the LMUF.

# Second Example (Slide 1 of 3)

- A medium-sized manufacturer uses 200,000 therms of methane per year.
- The manufacturer pays the LMUF of 15% on  $200,000 - 10,000 = 190,000$  therms in Year 1. This equates to \$22,800.

# Second Example (Slide 2 of 3)

- The manufacturer applies for and receives an incentive of \$25,000 to purchase and install a heat pump boiler to replace the gas boiler used to heat its offices and warehouse.
- The new heat pump boiler helps the manufacturer reduce its methane use by 10% to 180,000 therms per year. It pays the LMUF of 15% on  $180,000 - 10,000 = 170,000$  therms in Year 2. This equates to \$20,400 – a reduction of 11%.

# Second Example (Slide 3 of 3)

- Average monthly bill BEFORE upgrades:  
\$15,300 for 16,700 therms of methane
- Average monthly bill AFTER upgrades:  
\$13,800 for 15,000 therms of methane
- Average monthly bill decreases by 10%!

The above comparison assumes a fixed utility bill charge of \$100 per month, and includes the LMUF.

# A LMUF Would Complement BPS (Slide 1 of 4)

- BPS stands for “Building Performance Standards.”
- A BPS policy requires existing buildings to meet energy consumption targets based on building type in future years.
- The State of Colorado already has a BPS law that applies to buildings > 50,000 square feet (sf).
- The State law sets energy consumption targets for 2026 and 2030.

# A LMUF Would Complement BPS (Slide 2 of 4)

- The City of Fort Collins is planning to implement a BPS ordinance that would apply to buildings having areas between 5,000 sf and 50,000 sf.
- The City ordinance will likely go into effect in 2025, and will likely set energy consumption targets for 2027 and 2030.
- The City ordinance will NOT apply to industrial facilities.

# A LMUF Would Complement BPS (Slide 3 of 4)

- BPS goal is to reduce overall building energy use; LMUF is targeted specifically toward reducing methane use.
  - A LMUF therefore would help promote “building electrification”, which is one of this City Council’s goals.
- A BPS ordinance is mostly a “stick” – it forces investments that will save energy and money.

# A LMUF Would Complement BPS (Slide 4 of 4)

- A LMUF is both a “stick” and a “carrot” – it increases costs for those who do not make investments to reduce methane use, and also offers incentive payments for doing so.
- A LMUF requires industrial facilities to step up and contribute their fair share to reducing climate pollution. The proposed BPS ordinance would not.

*Both policies are important!*

# LMUF Impacts (Slide 1 of 2)

- A LMUF would encourage businesses subject to the fee to reduce their methane use to lower or eliminate their fee payments.
- A 15% LMUF on all methane use exceeding 10,000 therms per year would raise \$3.8 million to help reduce climate pollution.
- This is comparable to the \$5 million raised per year for climate programs by the recent ½ % sales tax increase.

# LMUF Impacts (Slide 2 of 2)

- Along with the recent sales tax increase, other City General Fund spending on climate programs, and more wind and solar electricity from the PRPA, a LMUF could help us reach our 2026, 2030, and 2050 climate pollution reduction goals.

# Next Steps

- The FCSG and its community partners will ask council to consider a LMUF in early 2025.
- If at least three members of council support doing this, we anticipate a work session would be scheduled to address this issue in Q1 or Q2 of 2025.
- We will be asking for YOUR support to encourage council to schedule the work session.

# Questions?

Thank you!