

November 30, 2020

San José City Council  
City of San José  
200 E. Santa Clara Street  
San José CA 95113

**RE: Item 6.1 Updated Natural Gas Infrastructure Prohibition Ordinance**

Dear Mayor Liccardo, Vice Mayor Jones and Councilmembers:

Thank you for the opportunity to comment on the city's proposed prohibition of natural gas in new commercial construction. SPUR is a non-profit urban research and advocacy organization based in the San Francisco Bay Area. For over 100 years, we have worked to make the region more prosperous, equitable and sustainable.

The International Panel on Climate Change report calls for achieving global carbon neutrality by 2050 to avert the worst effects of climate change. California will fail to meet our own emissions reduction target by 2045 without electrifying buildings. In 2019, San José showed extraordinary climate leadership in prohibiting natural gas in new residential construction, joining a regional movement to decarbonize the built environment. SPUR supported that first step and now **we strongly urge City Council to adopt the proposed ordinance prohibiting gas in new commercial construction as written, without an exemption for distributed energy.**

Electrifying buildings brings multiple benefits: it reduces San José's climate emissions and increases energy resilience in the face of increasing wildfire threats. All-electric buildings eliminate the air pollutants from natural gas combustion and are more cost-effective to build. SPUR is concerned that the proposed amendment to exempt distributed fuel cells threatens these benefits. Specifically:

- The oxide fuel cells at issue in this exemption rely on natural gas to create electricity and are designed for 24/7 usage, with a higher carbon footprint than typical natural gas electricity generation. Allowing commercial buildings to use these fuel cells would make San José's climate emissions targets more difficult to achieve.
- Electric buildings avoid installation of costly natural gas infrastructure. A significant exemption such as this weakens the economic argument for electric construction.
- Public Safety Power Shut Offs have affected a relatively small percentage of the city. Should they occur, there are other backup power sources that are more appropriate than fuel cells.

- Allowing commercial construction to move forward with natural gas infrastructure will strand hundreds of millions of dollars' worth of assets that will need to be converted in the future, a far more expensive prospect than mandating all-electric construction now.
- Allowing commercial construction to move forward with natural gas infrastructure will subject the building's future owners and tenants to rising energy bills. The cost of natural gas is projected to rise dramatically as customers transition to electrical energy.

We understand that backup power generation is an important concept for businesses, but the staff memos from November 16 and 23 do not present sufficient analysis to justify the proposed exemption. At a minimum we respectfully suggest that City Council request a new staff analysis that addresses the following questions before adding an exemption for distributed power:

- What are the duration and frequency of planned safety power outages in the areas where new commercial construction is likely?
- How do various backup power sources compare, including battery storage with solar, diesel generators, and fuel oxide cells? The comparison should consider power generation, cost, health, safety, and environmental impacts, both directly and indirectly through the infrastructure that serves them.
- What will be the cost in terms of stranded assets if new gas hookups for distributed power are added in areas of mostly all-electric new construction?

We urge the City Council to continue its leadership and pass a strong natural gas prohibition on commercial construction.

Thank you for the opportunity to provide comment on this ordinance.

In partnership,



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Sustainability and Resilience Policy Director



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San José Director



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