PORT AUTHORITY ENVIRONMENTAL SUSTAINABILITY POLICY AND SUSTAINABILITY PROGRAM – CARBON OFFSET PROCUREMENT AND PERFORMANCE OF RELATED EXPERT PROFESSIONAL SERVICES ON AN "AS NEEDED" BASIS – AWARD OF CONTRACTS

It was recommended that the Board authorize the Executive Director to enter into contracts with: (1) CantorCO2e, L.P./Native Energy, Inc./Weston Solutions, Inc., and Blue Source LLC/Henningson, Durham & Richardson Architecture and Engineering, P.C., the two highest rated proposers identified pursuant to a publicly advertised Request for Proposals (RFP) process, in each case on an "as needed" basis for a one-year period, with two additional one-year renewal options, at a total estimated cost in 2009 of $2.5 million, for the performance of broker and related professional services associated with the procurement and promotion of carbon offsets; and (2) Stockholm Environmental Institute-US, The Climate Trust, and E.H. Pechan & Associates, the three highest ranked proposers on a "best buy" basis identified among proposers solicited through a publicly advertised RFP process, for the provision of expert professional advisory services in connection with the evaluation of carbon offset projects, in each case on an "as needed" basis for a one-year period, with two additional one-year renewal options, at a total estimated cost in 2009 of $80,000. Purchase of carbon offsets would be subject to approval of the Chairman. In addition, exercise of the renewal options would be subject to further Board approval.

In March 2008, the Board adopted an Environmental Sustainability Policy (Policy), under which the Port Authority is to continue to use its best efforts to reduce all greenhouse gas (GHG) emissions related to its facilities by five percent annually and by 80 percent from 2006 levels by 2050, and whereby the agency would achieve a goal of net-zero GHG emissions from its own operations by 2010. In adopting the Policy, the Board stated that the Port Authority shall encourage its customers, tenants and partners to conduct their businesses in a more sustainable fashion, including reductions in their own GHG emissions, and shall provide support for these efforts where practical to do so, including collaboration with other regional stakeholders in the development of strategies that reduce the risk posed by climate change to Port Authority facilities and operations.

At the same time the Policy was adopted, the Board also authorized a Port Authority Sustainability Program (Program) as a first step in achieving the goals outlined in the Policy. This Program provided authorization to retain professional and advisory services to enable a thorough evaluation of available options for the Port Authority to attain net-zero carbon emissions, such as the purchase of carbon credits or other financial tools by the Port Authority to offset GHG emissions. Pursuant to the Program authorization, staff procured technical advisory services from two organizations with expertise in the carbon market, allowing for the development of a procurement approach for carbon offsets. The purchase of carbon offsets finances the development of projects that serve to reduce GHG emissions, such as projects involving energy efficiency, renewable energy, and the capture and destruction of landfill gas.

The procurement of broker and related services for carbon offsets is required to meet the Port Authority's goal of achieving net-zero GHG emissions from the agency's operations by 2010. Work under the proposed contracts would enable the Port Authority to offset one-half of its annual GHG emissions, or an estimated 150,000 metric tons of carbon dioxide. Based on the success of this initial effort, staff would seek Board authorization in order to take the necessary actions to offset the totality of agency emissions in 2010. Staff considered the option of reaching

the goal of net-zero GHG emissions from the Port Authority's operations by 2010 through the purchase of renewable energy, which produces no emissions. However, that option was not deemed to be the best alternative, given its much greater cost than the purchase of carbon offsets.

The scope of work of the two contracts for the performance of broker and professional related services includes: (1) offering carbon offsets that meet the Port Authority's quality criteria and statutory constraints for purchase, in quantities large enough to offset annually all or part of the GHG emission related to Port Authority facilities; (2) offering access to a large pool of carbon offsets that meet the Port Authority's quality criteria, such that the Port Authority can expect that some reasonable percentage of its customers and tenants will have offsets available to them if they choose to make a purchase; (3) providing the Port Authority with support to create electronic systems that customers and tenants may use to estimate the emissions associated with their use of the Port Authority's facilities and services, as well as to purchase high-quality carbon offsets; and (4) providing expert advice on ways to promote the offsetting of GHG emissions among customers and tenants.

As the Port Authority makes its first foray into the market for carbon offsets, the procurement of technical advisory services from carbon market experts is also necessary to help the agency make good business decisions informed by due diligence and careful evaluation of proposed carbon offset transactions. Accordingly, the scope of work for the three contracts for the provision of expert professional advisory services in connection with the evaluation of carbon offset projects includes: (1) evaluating proposed carbon offset projects, and (2) assisting with final carbon offset program design and contract negotiations.

The purchase of carbon offsets will allow the Port Authority to neutralize its effect on climate change. From the basis of net-zero GHG emissions, the agency will have an opportunity to undertake emissions reduction efforts that will result in the overall decrease of emissions, which is crucial in averting climate change. The Port Authority also will extend these benefits to its customers and tenants, as a public education and marketing campaign will focus on the importance of reducing and offsetting GHG emissions, and a publicly accessible Web site will give Port Authority customers and tenants the opportunity to offset their GHG emissions. Moreover, the Port Authority will be investing in projects that are likely to improve air quality in the region, and contributing to economic growth by investing in the region's "green" technology sector.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Blakeman, Chasanoff, Coscia, Hochberg, Holmes, Mack, Pocino, Sartor, Silverman and Steiner voting in favor; none against:

> **RESOLVED,** that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into contracts with: (1) CantorCO2e, L.P./Native Energy, Inc./Weston Solutions, Inc., and Blue Source LLC/Henningson, Durham & Richardson Architecture and Engineering, P.C., the two highest rated proposers identified pursuant to a publicly advertised Request for Proposals (RFP) process, in each case, on an "as needed" basis for a one-year period, at an estimated cost of $2.5 million, for the performance of broker and related professional services associated with the procurement and promotion of carbon offsets, with the purchase of carbon offsets pursuant to the Sustainability Program to be subject to approval of the Chairman; and (2) Stockholm Environmental Institute-US, The Climate Trust, and

E.H. Pechan & Associates, the three highest ranked proposers on a "best buy" basis identified among proposers solicited through a publicly advertised RFP process, for the provision of expert professional advisory services in connection with the evaluation of carbon offset projects, in each case, on an "as needed" basis for a one-year period, at a total estimated cost of $80,000; and it is further

RESOLVED, that the form of all contracts in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.