

Carbon Tax / Cap & Trade Work Group Meeting
Thursday, July 26, 2007

Our group reviewed the list of policy options for carbon tax / cap & trade created by WRI. The groups asked to WRI to come in to give more information on a variety of Carbon issues, such as how carbon policies impact other sectors. WRI will call in to our next meeting.

In our initial brainstorming, our group decided to create a list of things we need to address to get at issues surrounding cap & trade and other carbon policies. Before doing that however, our group had a few additional ideas that were not necessarily on the overall policy matrix. They included:

- Wisconsin could join REGI instead of creating our own state carbon system.
 - How does that reconcile with other federal proposals?

- Wisconsin could create its own state alternative.
 - Cost and learning curve will be major factors in our own state program.
 - A registry can create a foundation for a trading program. Wisconsin is already a member. . .

Identifying issues that will surround:

Evaluate potential for design of a cross-sector carbon mitigation offset program for new and or/existing emissions sources.

Characteristics of an offset program (challenges we'll need to consider).

- 1) Source & activity type. When dealing with Cap & Trade, point of regulation is also an issue.
- 2) Scope of offset – geographic (statewide or multi-jurisdictional), c02 or co2 equivalent, ratios, sectors.
- 3) Early adopter program
- 4) Accounting – what are you units of measure? Verification (no double counting), certification, monitoring, create baseline, transaction costs.
- 5) Costs – administrative, economic, transaction.
- 6) Asses who else has program – compatibility. Comparability of program also an issue. ex: in a cap & trade sense, the US is not allowed to trade in Kyoto affected programs because there's not a participant.
- 7) Legal issues – penalties, liabilities, etc
- 8) Registry – what are the offset & tracking options.
- 9) Transparency.

Characteristics of Cap & Trade program (challenges we'll need to consider).

- 1) Source & activity type. When dealing with Cap & Trade, point of regulation is also an issue.
- 2) Scope of market – geographic (statewide or multi-jurisdictional), CO₂ or CO₂ equivalent, ratios, sectors. Might we go by company or smaller market contributor?
- 3) Early adopter program / banking of credits.
- 4) Accounting – what are your units of measure? Verification (no double counting), certification, monitoring, create baseline, transaction costs.
- 5) Costs – administrative, economic, transaction.
- 6) Assess who else has program – compatibility. Comparability of program also an issue. ex: in a cap & trade sense, the US is not allowed to trade in Kyoto affected programs because there's not a participant.
- 7) Legal issues – penalties, liabilities, etc
- 8) Registry – what are the offset & tracking options.
- 9) Transparency.
- 10) How do you set the cap?
 - include safety valve, price, and borrowing.
- 11) Allocation
 - by auction
 - by historical emissions.
 - Set asides.
- 12) leakage – imports, exports.
- 13) Baseline
- 14) Recognition – voluntarily retirements – how do you recognize the value of that? Additionally, consider how state buildings, etc lead by important example.

Characteristics of Carbon Tax:

- 1) Point of application – Fuel, emissions.
- 2) What it's used for. . . (the money is shifting from what to what?) Where does the money go?
- 3) or purpose -- what is the intent? To create revenue or incentivize less use? What's the outcome? Do we measure GHG reductions? Public benefit?
- 4) Sectors – hybrid or C&T.
- 5) Costs – administrative, economic, -- there's more than just the tax itself.
- 6) Setting the amount & level of tax. Consider timing of rollout & implementation. Evaluation and adjustment important here, too.
- 7) Jurisdiction / compatibility (geographic).
- 8) Public & political acceptance and buy in.
- 9) Equity & Incidence
- 10) Administration / Monitoring / Enforcement – what's happening to emissions, and is everyone really paying their taxes?

** Does DOR or DOA have any information about carbon tax analysis? Lisa to follow up to inquire.

Characteristics / analysis of Increase DNR voluntary emissions reduction program – reduction registry.

No stick, all carrot type of program.

Participating in other programs, like Chicago Climate Exchange, is similar to this concept.

- 1) Compatibility. How does this interact or overlay with other programs? ENERGY STAR, building incentives, etc.
- 2) Accounting – verification, certification, evaluation and monitoring
- 3) Geographic scope.
- 4) Effectiveness (strength of incentive).
- 5) Increase of experience & infrastructure created.
- 6) Costs – administrative, etc.
- 7) Time frame and future usability is important. We could get on the ground fast, but you need to be sure to create ‘bulletproof’ credits that are usable later.
- 8) Free ridership.
- 9) Consider importance of this volunteer program while public & political assessors “warm up” to a more costly program.

Carbon tax schemes discussed – more complicated schemes are discussed for point of regulation – like perhaps a big box store that uses a lot pays a lot, but a household would pay much less. Individuals or businesses could reduce their payment by being near public transportation, even more for using public transportation, etc.

Future meeting date:

Decision on 8 a.m. on Tuesday, July 31.