

GWTF Meeting, 5.1.08 WPPI

Among those in attendance – Tia Nelson (BCPL), Roy Thilly (WPPI), Forrest Ceel (IBEW), Jeff Crawford (FCPC), David Donovan (Xcel), Frank Ericson (SC Johnson), Kristine Euclide (MGE), Jon Geenen (USW), Charlie Higley (CUB), Steve Hiniker (1000 Friends), Todd Holschbach (TNC), Steve Kihm (ECW), Margi Kindig (Citizen), Gary Malkus (GM), Bill Oemichen (WFC), Jennifer Oeschner (Sen. Jeff Plale’s office), Annabeth Reitter (NewPage), Keith Reopelle (Clean Wisconsin), Kristin Ruesch (Rep. Phil Montgomery’s office), Barbara Swan (Alliant), Larry Weyers (Integrays), Eric Callisto (PSC), Dennis Koepke (PSC), John Shenot (PSC), Matt Frank (DNR), Al Shea (DNR), Caroline Garber (DNR), Ed Jepsen (DNR), Nick Sayen (DNR), Matt Krumenauer (DNR), Jon Heinrich (DNR), Gary Radloff (DATCP), Andy Kellen (WPPI), Kathy Lipp (Alliant), John Pearse (GM), Nina Plaushin (WPPI), Tom Smies (WPS), Peter Taglia (Clean Wisconsin), Caryl Terrell (Sierra Club), John Clancy (FCPC), Bill McClenahan (FCPC), Ed Wilusz (WPC), Todd Stuart (WIEG), George Edgar (WECC), Jonathan Ela (NRB), Tom Content (Milwaukee Journal Sentinel), Share Brandt (WECA/WFC), John Imes (WEI), Pat Stevens (WBA), Bryan Laude (CH2M Hill), Noah Seligman (CWPB), Paul Meier (UW), Dave Benforado (MEUW), Kevin Kawula (LRPN)

via teleconference: John Larsen (WRI), Glen Wood (ICF)

MGA Update:

- Subgroups of the Midwestern Greenhouse Gas Reduction Accord Advisory Group have been meeting. Some Task Force members and state government employees staffing the Task Force are participating. Schedules, rosters, and meeting materials are available on the web at <http://www.midwesternaccord.org/>.
- The modeling subgroup is issuing an RFP to get a contractor on board who can help them develop a reference case and run cap & trade scenarios before October. The allowances subgroup is working on principles for distributing allowances.
- A meeting of the full Advisory Group is scheduled for May 12-13 in Milwaukee. It is a public meeting and Task Force members were encouraged to attend. The next meeting of the full Advisory Group after that will be June 23-24.

Technical Advisory Group - Modeling Update:

- George Edgar summarized modeling results for policy case 1 (all policies except Cap & Trade) and policy case 2 (all policies except Cap & Trade and California Cars). A copy of his presentation is available on the Wisconsin Task Force on Global Warming web site.
- When compared to the reference case, emissions under Policy Case 1 are projected to be reduced by 16 Mt in Wisconsin and an additional 11 Mt outside Wisconsin for a total reduction of 27 Mt. Economic impact: growth under policies marginally less than growth in reference case. Under Policy Case 2, emissions are projected to be about 2.2 Mt higher than for Policy Case 1. Both policy cases are expected to have very small economic impacts compared to the reference case, with real personal disposable income projected to drop by about 0.1% in 2024 and employment to increase by less than 0.1%. Two important points were raised during question and answer:

- The REMI model isn't capable of forecasting economic impacts out to 2050. There is agreement on the TAG that long term economic impacts are important but nobody has an answer on how to do it.
- The model forecasts economic impacts of the proposed policies. It does not consider the economic impacts of climate change. It was noted that the Stern Review concluded that it will be 5 to 20 times more costly to adapt to climate change impacts than it might be to prevent them.
- The TAG is still reviewing preliminary modeling results for Cap & Trade scenarios.

Technical Advisory Group – Report on Baseline & Emission Reduction Targets:

- John Larsen outlined some of the issues and options the Task Force might consider when establishing a baseline year and emission reduction targets. A copy of his presentation is available on the Wisconsin Task Force on Global Warming web site.
- The TAG recommends that the Task Force establish a baseline year of 2005 for overall statewide Global Warming purposes. In other words, any targets for overall statewide reductions should be based upon a reduction from 2005 emission levels. The TAG also specifically recommends that targets should apply to net emissions (sources minus sinks) in Wisconsin of the 6 Kyoto Protocol greenhouse gases.
- Larsen was careful to note that this does not necessarily mean that 2005 should be the baseline year for any and all policies. For example, if allowances under a Cap & Trade program were allocated based upon historical emissions, there may or may not be a more appropriate baseline year for that specific regulatory purpose.
- The TAG did not make firm recommendations on target setting but instead discussed the range of options and the issues that should be considered when selecting targets. They also created charts summarizing the targets that have been proposed or adopted in other jurisdictions.
- Baseline and target questions are inherently related to the TAG's recommendations on data collection and monitoring.

Discussion of Feebate Policy Proposal:

- Caryl Terrell explained that members of the Industry workgroup wanted to forward a policy based on the philosophy that Wisconsin industry can be a leader and many in the industrial sector are already making dramatic reductions. This template, *Annual Sector-Based 2% Energy Intensity Reduction with Feebate*, is the result – but it did not win consensus support from all workgroup members. A handout was shared that summarizes the proposal and some of the issues. A copy of this handout is available on the Wisconsin Task Force on Global Warming web site.
- John Imes offered points in support of the “feebate” policy. The intent is for the policy to be based on voluntary agreements made by sectors, probably using Wisconsin's Green Tier law and working through trade associations. If a sector voluntarily participates, the feebate program would become mandatory for the businesses in that sector (for example, the trade association's members). Supporters of this proposal like the fact that it is voluntary, incentive-based, revenue-neutral, allows the sector to police itself and control the dollars, and rewards industry leadership.
- Ed Wilusz explained some of the concerns of those who did not support the proposal, which included all of the industry representatives on the workgroup. They argue that the market is

working to reduce industrial energy use, and this will continue to work as energy prices increase. The industry sector is the only sector where emissions have decreased recently. This template asks Industry to set up a system that essentially taxes half its members, and divides the sector into winners and losers, based on the average. If the entire sector was efficient, half the businesses would still be losers. The proposal also ignores that there are practical limitations to what you can get with energy efficiency, making a 2% reduction every year unrealistic.

- A few questions asked by Task Force members raised additional issues or concerns that may or may not be fully addressed in the actual policy template:
 - Is this duplicative of other policies, for example the Enhanced Conservation and Energy Efficiency or Cap & Trade policies?
 - Would it be better for industry if the Task Force just tried to enhance the Focus on Energy programs in ways that specifically help industry?
 - Why did the proposal focus on energy intensity and not greenhouse gas intensity?
 - What if a company gets a very big reduction one year (e.g., 20%)? Would they still have to reduce 2% the next year?

Discussion of Nuclear Policy Proposal:

- Paul Meier (Director, University of Wisconsin Energy Institute) gave a presentation on nuclear power issues and the status of the industry. A copy of his presentation is available on the Wisconsin Task Force on Global Warming web site.
- Peter Taglia summarized the content of the nuclear power policy that was considered by the Electric Generation & Supply workgroup. The essence of the policy is that it proposes to end the current Wisconsin “moratorium” on new nuclear power plants by removing the legal requirement that a facility must be available for the disposal of all high-level nuclear waste from any new nuclear plant. The proposal would not change the current requirement that a nuclear power plant must be economically viable. Some attempt was also made to ensure that if a nuclear power plant is built in Wisconsin by an independent power producer rather than a utility, that most of the power and benefits will remain in Wisconsin. On this last point, workgroup members recognized that this might raise significant constitutional problems under the Commerce Clause, but felt that the PSC might be able to finesse the issue via a CPCN.
- Charlie Higley gave a presentation explaining the arguments against lifting the nuclear “moratorium.” Larry Weyers then gave a presentation explaining the arguments in favor of lifting the nuclear “moratorium.” Copies of their presentations are available on the Wisconsin Task Force on Global Warming web site.

Discussion of Transportation Policy Proposals:

- John Pearse and Steve Hiniker gave a presentation summarizing the issues and policies examined by the Transportation workgroup. A copy of their presentation is available on the Wisconsin Task Force on Global Warming web site.
- The workgroup reached consensus on all of the policy templates except the “California Cars” template, though some of the templates could benefit from further clarification. Concerning the “California Cars” template:
 - Under the federal Clean Air Act, the California Air Resources Board (CARB) is allowed to adopt emission standards for vehicles that are more stringent than the

federal standards, with EPA's approval. No other state can do this, but each state can choose between the EPA standard or the CARB standard. This means there can be two applicable vehicle emission standards for the country, but not 50.

- CARB adopted a greenhouse gas emission standard for vehicles. EPA rejected the CARB standard but this is currently being litigated.
- Adoption of the CARB standards in Wisconsin would reduce greenhouse gas emissions by 2.2 to 3.1 million metric tons in 2024. (Modeling results from ICF differ slightly from estimates made by the Transportation workgroup.)
- Transportation workgroup members disagreed over whether Wisconsin should adopt the CARB standard. Key to this discussion is a disagreement over whether the higher cost of manufacturing and higher initial purchase price of CARB-compliant vehicles would be justified by the fuel savings.
- The policy which until now has been called VMT Reduction has been renamed Energy Efficient Communities to avoid giving the false impression that the proposal is to mandate less driving. This proposal does not restrict transportation choices or raise costs; rather it gives people more alternatives.
- The Transportation workgroup has recommended changes to tax incremental financing policy with the understanding that this may be controversial.
- The workgroup co-chairs urged the Task Force to be mindful of compromises already made in the Transportation workgroup. Workgroup members did not necessarily support every individual policy proposal, but were willing to support the complete package of proposals.

Discussion of Other Issues:

- John Shenot provided an update on the work to explore Water Conservation as a potential means of saving energy and reducing greenhouse gas emissions. PSC formed an Ad Hoc group consisting of some of the Task Force members as well as DNR and several representatives of water utilities. That group met twice. They explored the question of how much electricity is being used in Wisconsin to pump and treat water, based primarily on data from public water utilities. The Ad Hoc workgroup's preliminary conclusion is that water conservation programs can save energy and reduce greenhouse gas emissions, but the potential reductions are very small in comparison to other policies under consideration by the Task Force.
- The Ad Hoc workgroup felt that the Task Force should consider water conservation policies despite the very small potential gains, for three reasons:
 - Water conservation has many other obvious benefits beyond energy savings.
 - Some of the actions fit in the category of "low hanging fruit," and may save money.
 - Water conservation is already a priority for PSC and DNR. Some actions are already underway or under consideration, and the Task Force can add emphasis to those water conservation actions that maximize energy savings.
- The Ad Hoc workgroup is drafting a policy template based primarily on a "Focus on Water" concept that could build upon or mirror Wisconsin's existing Focus on Energy program.
- A handout that includes PSC data on water utility energy use and costs, as well as a first draft of the policy template, was shared with Task Force members. A copy of this handout is available on the Wisconsin Task Force on Global Warming web site. The Task Force asked the Ad Hoc workgroup to finish the policy template for consideration at the next meeting.

- No additional policy ideas have been proposed since the previous meeting. This means no new policies will be considered by the Task Force beyond those templates already drafted. The Final Report might acknowledge additional ideas raised by members or the public for which a policy template was not developed (e.g., the greenhouse gas benefits of a vegetarian diet), but if this happens it would be limited to a few words and would not be presented as a Task Force recommendation.

Wrap up / Announcements:

- Future Task Force meetings have been set through June. The dates are: May 14, May 29, June 10, and June 26. At this time, all meetings are planned to be held at WPPI in Sun Prairie. Task Force members will be notified of any changes or additions and all meetings will be noted on the Wisconsin Task Force on Global Warming website.
- The agenda for the May 14 meeting is likely to focus on additional modeling results and an extensive discussion of Cap & Trade policy issues. Other remaining issues will be tackled May 14 or May 29.