

MEMORANDUM

TO: The Members of the Governor's Global Warming Task Force

CC: Workgroup Participants –
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FROM: Task Force Chairs Tia Nelson and Roy Thilly

DATE: December 12, 2007

SUBJECT: *Task Force Process*

This memo is written in preparation for our meetings on December 18 and January 4 in order to clarify the process we envision for the Task Force going forward and related matters. The issues discussed in this memo will be open for comment and discussion at our meeting on December 18.

1. The Reference Case. The Technical Advisory Group (TAG) has been working hard with WRI, ICF and Energy 2020 on the Reference Case. The TAG has been doing an excellent job and we intend to continue to rely on the TAG on technical issues related to the Reference Case and modeling as our work proceeds. We will ask the TAG to coordinate with WRI and the applicable Workgroup Chairs on modeling questions that arise related to policy templates.

The Reference Case will provide an estimate of greenhouse gas (GHG) emissions for Wisconsin in the future based upon a Book of Assumptions that is intended to reflect the best available information we have, given our financial and time constraints. The Book of Assumptions and a description of the status of the Reference Case will be presented on December 18. A draft of the Case will not be ready for review by the Task Force because the

TAG is not yet satisfied with the draft. We hope to have the draft ready for presentation on January 4. If the Task Force is satisfied with the draft at that point, we can approve the Reference Case. If there are significant questions, we will bring it back for action on January 22.

In reviewing the Reference Case, we need to remember that the purpose of the Case is to help us to evaluate the policies that we develop in terms of meeting the benchmarks we are working against and then to help us recommend realistic goals and policy options, as required by the Governor's Order. The Reference Case will almost certainly be wrong in its prediction of the future. It will be highly dependent upon the assumptions used; none of us can accurately predict the future. Therefore, we need to concentrate on being comfortable that assumptions used are reasonable, and that the results from the model appear reasonable for the purpose of making policy recommendations for consideration and refinement in the political process that will follow.

2. Decisions to Be Made Now. The Workgroups have all been spending a great deal of time on their policy templates. A number of comments have been received from the public and Task Force members. The job of the Workgroups now is to bring their policies forward to the Task Force for review and decision. It is very important to understand the nature of the decisions to be made by the Task Force at this point. They are as follows:

- That a policy may be recommended by the full Task Force in our final report and should be modeled, either on its own or with a bundle of like policies, in order to fully evaluate its merits (costs and benefits). In this case, if a Workgroup has not reached consensus on a particular element of a policy that is needed for modeling, as well as making a clear recommendation, the Task Force will need to decide the element in dispute.
- That a policy will not be recommended and, therefore, should not be modeled; that is, further examination of the policy should be ruled out for some reason, such as low benefit and high cost.

- That although a proposed policy may be recommended, given the nature of the policy, it is not amenable to modeling with any degree of precision that would aid us in making a judgment on whether to recommend it and, therefore, it should not be modeled. This category may include policies that are important in terms of enabling other policies to be successful, but will not result in quantifiable emissions reductions on their own.
- That taken together, a Workgroup's policies do not appear sufficient, even without modeling, to reduce the sector's emissions within a reasonable range of our benchmarks and additional policy options are needed.

A decision on whether or not to actually recommend a policy will not be made at this point, unless we decide to issue an interim report and include policies on a substantial consensus basis.

3. Concerns Related to the Policy Templates. The Co-Chairs have reviewed most, if not all, of the policy templates and recognize and appreciate that a great deal of hard work has gone into them. We do, however, have a concern that a number of the policies proposed are purely voluntary and rely on funding to be provided by the state or other sectors. The job of the Task Force is to come up with policies that we believe will be successful in meeting the goals that we ultimately recommend and that are consistent with the Governor's Order. We are concerned that a series of voluntary policies with incentives that must be funded from the state's general fund or elsewhere will not be sufficient to accomplish our mission. Final decisions on whether to adopt our policies, modify them or reject them will be made by the Governor and the Legislature. Funding will clearly be an important issue in that process. However, our job is to identify policies that will achieve the desired results, assuming that there is the political will to adopt them. In this regard, we need to remember that as a starting point, each sector has been asked to develop policies that would stabilize and then reduce the sector's emissions based on a set of initial benchmarks — stabilization prior to 2020, 1990 levels by 2020, and a 60-80% reduction from 1990 levels by 2050. It is not clear to us that each sector has completed this assignment. This is an important starting point. We cannot finalize goals without knowing how we might get

there and the relative costs and benefits. Nor can we address the question of whether proportionate sector responsibility is appropriate without this information.

4. Midwestern Governors Association Resolutions. As everyone is aware, Midwestern Governors Association members, including Wisconsin, adopted a number of resolutions related to climate change this November. The policies approved dovetail in many respects with policies that are being considered by our Task Force. Given this development, we need to compare the policies and goals that have been agreed to by the Governor in the MGA context with our recommendations. We should strive for consistency with the MGA goals to the maximum extent that we are able. If we are not consistent, we will need to clearly identify why and where our concerns lie.

5. Final Recommendations. We do not expect all final recommendations by the Task Force to be unanimous, given the complexity of the issues and the impacts on different participants of various policies. Therefore, we want to remind everyone that there will be an opportunity in the final report to identify where there are significant differences, the members of the Task Force that disagree with a recommendation and their reasons.

6. Data Issues. Concern has been expressed with respect to the WRI inventory for 1990 and differences between the WRI sector numbers and the data that the DNR has compiled based on information reported to the DNR, which includes some, but not all sources. We believe that the differences between the WRI and DNR numbers are explainable and understandable. The differences and the reasons for them will be addressed at our meeting on December 18 by the DNR and the TAG Co-Chairs, as well as WRI.

We believe that a significant cause for the concern over these differences is a fear that the inventory numbers will be used for regulatory purposes. It is very important to recognize that this data is to be used by the Task Force solely to help us recommend goals for the state and evaluate policies. Those goals will undoubtedly be reviewed and subject to further analysis prior to any adoption with an implementation plan. We clearly recognize that the inventory data (WRI and DNR) is not sufficient for regulatory purposes or for future evaluation of progress made by the

state. We will be explicit in our final report in stating that the data we have used has a number of gaps and imperfections and should not be used for regulatory purposes. We have asked the TAG to develop recommendations for review by the Task Force on what the state needs to do to have better data for the future in order to evaluate Wisconsin's progress in addressing climate change, as well as the validation requirements that should apply to any data be used for regulatory programs.

7. Modeling Shortcomings. As a Task Force, we should be careful to recognize that, like the Reference Case, our modeling results will be indicative only, in terms of cost and benefit magnitudes and the interplay between policies. The results should be used only to help us make reasonable policy choices. We should not fall into the trap of assuming that the model results are accurate predictions of the future and we will need to be very careful in describing what the modeling provides and what it does not. Ultimately, good recommendations will be the product of good judgment that takes account of the best available data and modeling based on reasonable assumptions, as well as common sense and the practical experience we all have.

The issues we are addressing are huge in their implications and there are developments every day at local, state, federal, regional, national and international levels related to climate change. Our report will not be close to the last word on these issues for Wisconsin. We need to complete our job by providing the Governor with a set of reasonable goals and policy recommendations based on our best judgments at this time, consistent with his Order, in order to help the state move forward. To the extent that we can achieve substantial consensus across stakeholder lines on a series of policies that address the issues in a meaningful way, we will have achieved a great deal.

8. Goals. As described above, we initially set benchmarks for the Workgroups to shoot for in developing policy recommendations for each sector. When we did this, we made it clear that these benchmarks were not necessarily the goals that we would recommend as a Task Force. Those goals need to be informed by our analysis of proposed policies, including their projected practicality, benefits and costs. In some cases, other states may have adopted laudable goals that

have little chance of achievement. The Co-Chairs would like our Task Force to adopt strong and aggressive goals that are also realistic.

In order to move forward on goal recommendations, we have asked WRI to provide the Task Force with an analysis that shows the wide variety of emission reductions targets that have been adopted by different states, or have been proposed in federal legislation or elsewhere, and to show us what those different targets would mean for Wisconsin, given the data that we have available. We can then examine whether we wish to set the goals with reference to 1990, 2003, 2005 or some other baseline or combination thereof. We will begin to tee this issue up for the Task Force to consider on December 18. However, a decision on final decision on goals should not be made until the modeling is completed, policy templates are refined and all of that information is presented to the Task Force.

9. Workgroups Going Forward. We believe the Workgroups (other than the TAG) will have served their purpose when their policies are presented on December 18 and January 4. Going forward, we intend to rely on the TAG, the Workgroup Co-Chairs and other Task Force members to deal with specific modeling issues, to help refine and clarify policies as needed and, if additional policy options need to be developed, to develop those options for Task Force consideration.