

Green Tier Advisors

March 5, 2008
Proportionality 3.0

ISSUE SUMMARY: The Department is tasked with working with the Advisors to: Assess “whether incentives provided under a participation contract are proportional to the environmental benefits committed to under a participation contract.” The selected path was to have a process that included advisors, Department staff, NGO’s, businesses and consultants to craft an initial set of recommendations for the Advisors to consider at the December meeting. The recommendations were crafted but discussion/action on those draft recommendations deferred until the March meeting to provide time for more discussion of the legislation at the December meeting. The purpose of the discussion at the March meeting is to discuss the recommendations and decide whether the Advisors would like to make these recommendations, make modifications and further share the recommendations or pursue direct further staff work for consideration at the June 6, 2008 meeting.

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CONTRIBUTORS: Proportionality Sub-group and Green Tier Coordinators (senior DNR staff designated to coordinate Green Tier work.)

BACKGROUND:

At the August meeting, the Advisors considered a variety of ways that proportionality could be considered and recommendations developed for the Department. Advisors agreed that the best way to proceed would be to start by framing a process that could be used to develop a proposal for recommendations. That proposal would be developed by Rita Hayen, Rebecca Power and Mark McDermid for discussion at the September 20 meeting. The process framed in that proposal would be executed between September 20 and the next Advisors meeting on December 3. The purpose of the discussions on December 3 would be to develop information/recommendations that will be vetted with program participants at the working session in January. The goal would be to have the process completed so that recommendations are ready for the following meeting of the Advisors in spring 2008. At the September meeting, the Advisors agreed to the proposal which was developed by Rita, Rebecca and Mark (Issue Paper 2.0 -

<http://dnr.wi.gov/org/caer/cea/environmental/advisors/2007meetings/material/0920proportionality.pdf>).

The process outlined in the issue paper was completed and draft recommendations shared with the Advisors on December 3, 2007 but the recommendations were not discussed at the December meeting so that there could be more time for the discussion of Legislation Recommendations.

The recommendations outline a process by which proportionality decisions would be made. A copy of the draft recommendations is attached to this issue paper. The essence of the recommendations is that Tier 2 applicants would supply a letter of intent and a ledger sheet that describes costs and benefits associated with both the superior environmental performance the applicant is providing and the flexibility that the applicant is seeking. The recommendations recognize that the development of environmental cost and benefit information is, at best, in its infancy placing the Department, the applicant and the stakeholders in a learning mode that would be initially informed by guidance to be developed by the Department. The parties that drafted the recommendations all acknowledged that there would need to be learning that takes place as a part of transparency steps in the process and adaptations to the process as lessons are learned. For the sub-group that worked to craft the recommendations, there was not full consensus on the recommendation. The issue, reflected in the “Alternative” included with the

recommendation, was that prospective applicants may not be fully confident some of the costs and benefits that would be shown on the ledger sheet and would not want to make assumptions on those ledger sheets without some further consultation with both the Department and potentially with Stakeholders.

One of the core elements of the draft recommendation is the staff work that would need to be done to implement the recommendation. The draft recommendation references the development of guidance based on some of the historic documents from Green Tier development such as the “Sniff Test” (copy attached). Further, the notion of providing tools such as carbon footprint calculators, environmental cost calculation formulas, basic information for administrative costs, etc. came up several times during the course of the Green Tier Advantage 2008 along with several suggestions for engaging stakeholders and providing transparency. Given limited program resources, any insights from the Advisors about priorities for the staff work would be very germane to some of the implementation issues that will undoubtedly need to be considered regardless of the recommendation(s) made.

DISCUSSION:

The initial goal, as developed at the August 3, 2007 meeting, was to have recommendations that the Advisors could consider in December and discuss with current Green Tier participants in January. The purpose for this issue paper is to:

- Discuss the draft recommendations shared but not discussed at the December 3, 2007 meeting;
- Offer edits to and/or direct changes in the draft recommendations;
- Consider the “Alternative” developed as a part of the draft recommendations; and
- Direct the method by which the Advisors would like to have the recommendations shared/tested prior to finalizing recommendations.
 - Options to recommend, include but are not limited to:
 - Pilot the process;
 - Pilot the ledger sheet as a tool;
 - Generally share the Advisors’ preliminary recommendation with all participants; and/or
 - Convene a focus group of participants to review the Advisors’ preliminary recommendation.
 - Direct further staff work prior to more active sharing/testing of results in recommendations
 - Do an analysis of the recommendation based upon an existing agreement
 - Provide more information about one or more of the steps or concepts contained in the draft recommendation.
- Discuss priorities to be considered in the development of proportionality process determinations.

The discussions and decisions by the Advisors would be expected to form the basis for a first draft of a recommendation paper to be considered at the June 6, 2008 meeting.

DISCUSSION SYNOPSIS (from prior meetings):

The Advisors have reviewed their statutory charge to make recommendations to the department about “whether incentives provided under a participation contract are proportional to the environmental benefits committed to under a participation contract.” The department has authority to grant incentives for Tier 2 Contracts and may include provisions in Charters which relate to the delivery of incentives through contracts. The expectation is that two Tier 2 letters of intent currently in development may soon call the question of consideration for proportionality between incentives and performance. As a result there is a need to develop something that can help to make the proportionality decisions both efficient and effective.

Existing agreements through the cooperative agreement program have a wide variety of flexibility. Permit time frames and conditions have been modified. Reporting frequency and structure have been modified. Customized working relationships exist to develop sustainable products, consider business needs and develop joint approaches to environmental issues. As more consideration is given to questions of flexibility, there is a need for a process which can thoroughly and promptly consider such requests. The expectation is that the same kind of flexibility from those agreements is the kind of flexibility that would be developed through Green Tier participation, contracts and charters.

The Advisors agreed to design a process involving advisors and others for reviewing proportionality, having considered a number of other options that were outlined in the Proportionality 1.0 issue paper. A working group consisting of Rita Hayen, Rebecca Power, and Mark McDermid was formed to put together a recommendation for the entire group to consider. The working group was tasked to design a process that will draw in other parties and result in a recommendation for the Advisors at the December meeting. The goal is to have the method and an initial suggestion of participants ready for consideration at the September 20 meeting. The overall goal is to have a draft recommendation for proportionality, which can be discussed at the next Green Tier Working Session.

At the December 3, 2007 meeting, the initial draft recommendations were shared. As a result of not discussing the draft recommendations at the December meeting, sharing recommendations from the Advisors with the Green Tier Participants at the Green Tier Advantage 2008 meeting on February 4 & 5 was not going to be possible. The discussion of the draft recommendations was deferred to the March 5, 2008 meeting.