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MEETING SUMMARY
MINNESOTA CLIMATE CHANGE ADVISORY GROUP
Cap and Trade Technical Work Group
(C&T TWG)

Meeting #9, December 21, 2007, 9:00 AM – 11:00 AM

Attendance:

1. Technical Working Group Members: Duke Bascom, Charles Dayton, Barbara Freese, J. Drake Hamilton, Mike Cashin (substitute for Dave McMillan), Bob Ambrose (substitute for Eric Olsen), Doug Peterson, Nick Mark, Jim Turnure, Bill Grant, Stacey Fuji, Steve Polasky.
2. Minnesota Department of Commerce (DOC) and Pollution Control Agency (PCA): David Thornton, Peter Ciborowski, Anne Capland (sp?)
3. Public Attendees: Andy Pomeroy, MN House of Representatives
4. Center for Climate Strategies Staff: Tom Peterson, Jeff Wennberg, Adam Rose, Dan Wei

Background documents:

(posted at http://www.mnclimatechange.us/Cap_and_Trade.cfm)

- Agenda
- PowerPoint Presentation
- Draft meeting notes from 12-14-07 meeting
- Redraft Policy Options reflecting decisions from 12-14-07
- MN – Only by sector modeling runs

Discussion:

Jeff Wennberg opened the call at 9:04 with a roll call and summary of the objectives for the call.

There was a brief discussion raised by Barbara Freese regarding the specific reference to “\$50 per ton” concerning the MN-only model under Geographic Coverage under Policy Design in C&T-1. The committee decided to remove the reference to a specific number.

Barbara suggested that a sentence be added to Geographic Coverage directly stating that the MCCAG does not recommend a MN-only program to the legislature. The committee agreed.

Bob Ambrose suggested that a clear statement that a national program is preferred and the regional program should be planned with that expectation. There was much discussion on the exact language. The following text was approved:

“However, the MCCAG has also found that the implementation of a national program could be far preferable to a state or regional program. The Minnesota goal should be to work fervently toward the quick passage of an appropriate national program that would assimilate the regional effort.”

Chuck Dayton asked for a change under the “Principles and Guidelines” list, specifically to remove the second bullet, which was agreed to by the committee. It was also decided that the Principles and Guidelines should be included in the POD.

Adam Rose then presented the latest modeling runs. One variation included auctioning vs. free distribution of allowances, but no GHG benefit was assumed from the application of auction proceeds because the committee had not discussed what the assumptions should be. Adam explained that as presented the auction was also a good approximation for the Carbon Tax option as well.

The committee then had a long discussion regarding the effect of the RES measure being assumed as part of the baseline or as one of the measures. Barbara argued that they should be included in the baseline since they have already been enacted into law. Duke disagreed, and Adam suggested that the analysis be run both ways.

The committee then considered the difference between a Cap and Trade system and a Performance Standard. Duke Bascom stated that the Cap and Trade resulted in greater environmental outcome certainty than a performance standard and Jim Turnure agreed, but Mike Cashin did not.

The discussion then turned to the results of Adam and Dan’s sector analysis results. Doug Peterson said that the information on slide 34 indicated that his proposal to exempt natural gas for residential and commercial use made sense. Barbara Freese disagreed.

Mike Cashin pointed out that the marginal cost curves indicated that while the 2025 goals could be achieved, the 2050 goals were likely to be very difficult and very costly. Chuck Dayton reminded folks that at the last MCCAG there was a request to RCI to increase the EE goal from 1.5% to 2.0%, but RCI declined. After a quick exchange Adam estimated that the impact of the change could be significant, especially in later years.

Peter Ciborowski of PCA then presented a PowerPoint classifying the existing regulated power sector and large industrial and commercial sources. His presentation broke the different sectors out, but in sum, the largest 70 currently regulated stationary sources are responsible for 95% of all CO₂ emissions from these regulated emitters. The cutoff for the top 70 would be about 44,000 tons CO₂ per year.

The call was extended past 11:00 due to the fact that many members were at PCA waiting for an 11:00 ES in-person meeting. Bill Dougherty's plane was delayed, delaying the start of the ES meeting and allowing the continuation of the C&T discussion. Some members who were on the phone had to leave around 11:00, but the meeting continued for about 45 minutes past that hour.

The committee turned back to the question of sector coverage and considered the sectors left as "maybe" at the conclusion of the face-to-face meeting on the 14th. The committee agreed to include municipal waste incinerators and natural gas and fuel oil for residential and commercial use. It was pointed out that Doug Peterson was no longer on the call and that he would certainly object to the inclusion of natural gas. The committee agreed to include natural gas in the draft but to clearly note the long-standing objections of at least one member.

The meeting was adjourned at about 11:45 AM.