

MEETING NOTICE

Governor's Task Force on Global Warming Carbon Tax/Cap and Trade Work Group

Date: Tuesday, September 25, 2007, 9:00 a.m. to 12:00 noon

**Location: Lowell Center (UW-Madison Campus)
Rooms B1B and A
610 Langdon Street, Madison, Wisconsin**

AGENDA

9:00 a.m. – Welcome/Housekeeping announcements

9:05 a.m. – Discussion of Carbon Cap-and-Trade policy write ups

10:20 a.m. – Break

10:30 a.m. – Discussion of Carbon Offsets policy write ups (other policies will be discussed if time allows)

11:45 a.m. – Public comment

12:00 noon – Next Steps/Adjourn

This meeting is open to the public.

If you have any questions or need special accommodations, please contact Lisa Stefanik at the Public Service Commission of Wisconsin by telephone at (608) 266-1125 or via e-mail at lisa.stefanik@psc.state.wi.us.

GWTF Carbon Work Group meeting – 9/25/07

Welcome / Announcements:

One additional meeting is scheduled for our group. That meeting will be October 8th – 1 p.m. to 4 p.m. Location will be determined soon.

Review of Carbon Cap-and-Trade Policy:

- We need several pieces of information about threshold
- This policy will use CO₂ equivalents. IPCC 2001 Global Warming Potentials are a good source of data. What is WRI using?
- What is the rationale by 2010? *Get things going as soon as possible.*

Costs

- Mentioning administrative costs are good, but we should also mention savings captured, etc.
- Cost effectiveness on program can be more efficient if we have a larger cap-and-trade program.
** John to add language changes under this topic to make clearer.

Start date

- Tie the start date to a reasonable time window in which legislation could occur to create this program.
- Group has spirited discussion about start date. General opinions include a 2010 start is too unrealistic, esp. when it is linked to a larger (regional, national) program. The other opinions in the room express concern about having a cap program so far out – will emissions continue to rise in the meanwhile? Early reduction credits may help resolve this issue.
- This program will start with its baseline in 2008 for early reduction credits.

Linkages

- This policy makes the assumption that we are not linked to the west coast or RGGI; we are assuming MI, IL, and MN. We would like the flexibility to trade with other markets. All in model would have links to RGGI and other markets;
- Note from group: include IA.
- What could WRI do to model us with other states?
- What is MN doing?
 - MN is using spreadsheets and doing 8 “runs” – example: Midwest with links to RGGI and western states. Inventory data coming in soon. MN is using Adam Rose model. Linked to the University of Southern CA.
 - If WRI were talking to the Center for Climate Strategies, would this get us some of the MN data we would need to model some of these ideas?

** Dennis K will follow up with the TAG – we may be able to mock up a 5-state analysis through available data.

- If we could do more than one run, a Wisconsin-only program would be interesting to see. However, the group's preference is to model a regional program (or larger).
- Wisconsin's modeling should – if possible – take the states involved in the agreement coming out of the MGA in November.

Revenue / Auctioning

- Debate over auctioning and how to position revenue generation via auctions. Group concurs we need to pick a number for modeling purposes and recommendation to the Task Force. The Task Force may change the number.
- What are the impacts for our program if strategy for WI allocations is very different than IL? Will this create market distortion?
- Lay out bullet points about costs / benefits of various allocation strategies for Task Force consideration.
- Another idea is to “ramp up” allocation distributions to be more auction-based over the years to help abate price shock.
- Could ICF do an analysis with an additional sensitivity with Cap-and-Trade in place, but using auction revenues to fund a very aggressive energy efficiency program?
- Auction systems may result in more money actually staying in our state. A lack of a structured program may forfeit a claim to the revenue.
- Wisconsin needs a marginal cost analysis to better understand if our state is higher or lower on a cost per ton spectrum. Yet, we are speculating about revenue streams.

** John offers a bulleted list about pros / cons re: allocation for the benefit of the Task Force and future policy makers reviewing this policy.

Offsets:

- Does WRI have a set of assumptions about transaction costs? If they have, we should use them and work them in.
- WRI representative desired during next meeting, October 8
** Get John Clancy WRI contact information about specific data needs.

Review of Voluntary Programs Policy:

Reductions

- Can you look at existing programs and estimate reductions based on those programs?

Estimated Costs –

- Could we add a row on the table about administrative costs?

Discussion of a “state offset fund”

- It may result in voluntary reductions now. One version of this program may be to copy existing voluntary renewable programs. Folks can check off on their utility bill that they want to participate. Participation should be tax deductible.
- MOU with RGGI – States can sign an MOU to sell into the RGGI market. This would help foster an early action option.
- The state should confirm the deductibility of credits.

Barriers

- Under this section, the group asks this policy be altered to stress elements of credibility of this program.
- Can we add an element of state-required outreach?

Other Factors

- Add: creating initial incentives for people to take action.
- Adjust last bullet for greater clarity: example may be – phrase it as: “Development & implementation of a state-run voluntary program.

Review of Carbon Tax

Affected sectors

You would be excluding natural gas used by utilities? Meant to cover end-users (residential heating, for example).

Discussion about coverage of propane (not covered by petro tax/inspection) VS other gas sources. Should be considered in this write-up – use the point of application infrastructure that already exists.

Discussion of taxing ethanol production – be careful to create policy direction that does not double count with upstream sources.

Does this policy intend to cover industrial boilers? One suggestion by group gets at an electric generation measure (MW) and a measure like 250 million BTUs per hour.

- Sources below this threshold could elect out of the Carbon Tax program but opting in to the Cap-and-Trade program.
- Money from the Carbon Tax program could be put into a public benefit fund.

Timetables, duration and stringency

- Taxes should likely be phased in (on a schedule) so there are not surprises. Make sure equality across sectors.
- Discussion about overlap in tax in a company such as Stora Enso. They will be taxed through costs passed on through electricity rates, and will also be subject to their own taxes.

Barriers

- Certainty – with caps, you have a better target about where you should be and where you are. Is this going to slide?
- With Cap & Trade, offset sales are more straightforward.
- Emission reductions will be harder to verify in this program.

Discussion about monitoring and verification of Carbon Tax program. Put any additional comments under item 5.

General discussion about how to proceed with our remaining group time:

- Friday's meeting will go on, with specific review of the Carbon Offsets policy. Because of the limited Friday agenda, long-distance members will be invited to call in to the meeting. Lisa to send e-mail alerting members of this change & will send call information.
- Include information about final meeting information on 10/8 at 1 p.m. to 4 p.m. Send policy revisions to Lisa by 10/3.