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A Climate Change Strategy for Michigan
DRAFT for Discussion

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Michigan Climate Action Council's
Recommended Policy Positions on Michigan Climate Action Strategy
February 23, 2009

Michigan is in a period of extraordinary transition and faces unprecedented challenges. Among the most compelling of these challenges is the urgent need to reduce greenhouse gas (GHG) emissions to address climate change and its impact on our health, our natural resources and our way of life. As part of this challenge, the economic core of our prosperity, the automobile industry, is undergoing tumultuous change as we move from a high carbon to a low carbon economy and a new energy future. Revenues to address government services are declining and are expected to do so in the foreseeable future. In addressing these issues, in response to climate change, we have the unique opportunity to also encourage deployment of new investment and technologies, save energy and money, create new jobs and income, promote energy independence and sustainability, and diversify and grow our economy. The magnitude of the challenge will require a remarkable level of cooperation among all levels of government.

The policy direction is clear. Michigan should seize this moment and take a leadership role in formulating and promoting efficient, effective national, regional and state policies to address climate change. These policies should holistically address the economy, renewable energy, climate change, energy efficiency and independence.

There are two integrated parts to Michigan's Climate Action Strategy. The first is based on state-based advocacy for strong national and international action on climate change. A framework describing the key elements of a national climate policy is summarized in Part One below.

The second part requires integration of national climate action policies and efforts with those that the Michigan Climate Action Council (MCAC) recommends for implementation in Michigan to achieve significant reductions in GHG emissions. This represents a call to action by State government, business, and the general public to confront the issue of climate change. It contains actions that we can take now within our state to simultaneously address climate change while transitioning our economy by, promoting new technology development, improving energy efficiency, conserving natural resources, and developing clean and renewable energy sources. These two policy trajectories are essential, coequal and intertwined.

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Part One: Michigan Platform on Climate Change

The purpose of this platform is to assist Governor Granholm and other Michigan leaders as they represent Michigan in various forums on the topic of climate change. This includes the New Administration, U.S. Congress as well as the existing and emerging industry-based, non-governmental, and multi-state alliances on global warming.

- Michigan should take action now to address climate change. That action should take two forms: 1) specific actions to reduce GHG emissions in the state and region, and 2) active engagement in the development of a national climate policy.
- Governor Granholm is already taking steps to diversify Michigan’s economy using alternative energy to create and retain jobs. Michigan should pursue policies and programs that leverage the State’s existing knowledge and expertise to strengthen the auto and other manufacturing sectors and to further diversify the economic base of the State in the renewable energy, energy efficiency and natural resource conservation sectors.
- A national commitment to make significant reductions in GHG emissions will require a transformation of our energy, manufacturing and transportation systems. There will be economic costs and benefits associated with this transformation. Therefore, it is critical that a national climate policy optimizes economic efficiency, equity, and cost effectiveness. Michigan should advocate for the development of such a policy within the framework of a federal-state partnership. While the design, implementation and integration of federal, state and local GHG reduction policies present important issues to be resolved by federal and state policymakers, there is broad agreement that, in our system of government, all levels of government must work together in partnership if the nation is to effectively address this challenge.
- Although national climate policy could be based on alternatives to or additions to “cap and trade” (such as tax, subsidy, standards, and technical assistance policies), federal legislation is most likely to focus on a cap and trade and sector based programs.¹ Michigan therefore should advocate for a national cap and trade program that is efficient, equitable, economy wide, and based on a federal-state partnership. This should include sector based policies and measures that reduce market and institutional barriers to GHG reduction. The state should press for enactment of this legislation by 2010.

¹ Although the New Administration and Congress are likely to pursue a nationwide cap and trade policy, other options remain available. The alternative most often mentioned is a carbon tax. If this alternative becomes the preferred approach, the comments and recommendations made herein also largely apply to a carbon tax, i.e., it must be fair from a revenue standpoint, efficient, equitable and effective, and not place Michigan residents and businesses at a disadvantage.

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- Federal legislation should include national emission reduction targets.
- Federal legislation must be structured in a manner that drives immediate GHG reductions.
- Federal legislation should ensure GHG emissions are truly reduced and not just shifted from one state or region to another nor from one sector to another.
- The national program should encourage rapid technology development and deployment through the adoption of technology supporting and inducing policies. Cost efficiency and co-benefits should also be considered in achieving reductions of GHG emissions to assure that the timing of reductions coincides with the successful commercialization of emerging technologies. Major reductions from certain sectors may most effectively be accomplished if based on aggressive yet appropriate lead times that allow the necessary infrastructure to be put in place. Examples include carbon sequestration, low-carbon fuels, and commercial viability of high-density energy storage systems.
- While the need for action is now, there are remaining uncertainties regarding the pace at which technologies and markets will develop. Instead of waiting to act, the federal legislation should provide for periodic review so that adjustments can be made based on evolving knowledge of technologies, markets, emission reduction needs and other circumstances.
- Recognizing that effective measures to address climate change depend on international action, the United States should take the lead in facilitating global participation.
- Market forces and current federal legislation already are increasing vehicle fuel economy. Any federal policies adopted should not put the domestic auto industry at a competitive disadvantage.
- To the extent reasonably practical and feasible, the costs and benefits of achieving varying degrees of GHG reductions should be fully disclosed and discussed as part of a deliberative process in the State and nationally, including health, environment, energy and economic impacts, as well as recognition of both monetized and non-monetized impacts.
- A national cap-and-trade program should include appropriate measures to provide a degree of long-term cost certainty and temper wide fluctuations in the price of allowances that would be economically harmful to the U.S. while guarding against any negative impact on GHG emission reductions targets and timetables. Without approving any particular measure, the MCAC notes that examples of such potential measures are identified in Market Based Policy -1.
- Care should be taken to avoid unintended consequences. For example, the national program should not result in actions that make it more difficult to protect human health and the environment through attaining national air quality standards or is hampered by inconsistent policies in other areas.

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- Revenue derived from the regulation of GHGs should be used to assist with the transformation to a low carbon economy through appropriate incentives and subsidies for the development and deployment of GHG-reducing technologies and to mitigate increased costs to the consumers. The revenues that exit the state should return at the same proportion, with the exception of that percentage dedicated to technology research, development, and deployment at the national level.

Part Two: Michigan Emission Reduction Proposals

1. The Michigan Climate Action Council (MCAC) has developed a comprehensive list of policy recommendations to reduce GHG emissions in Michigan. Michigan should take immediate steps to implement the policy recommendations of the MCAC establishing priorities to significantly reduce GHG emissions in the State. To begin this, the State should immediately calculate and publish the expected GHG reductions expected from the recent comprehensive energy legislation related to the Renewable Portfolio Standard (RPS) and Energy Efficiency programs as well as other recent and planned actions.
2. The MCAC also recommends that public education be a top priority in the State's climate action plan. A number of the MCAC recommendations are achievable in the short run. However, success is predicated on the will of the public to change its behavior. Michigan should aggressively move to inform the public of its choices for achieving GHG reductions and the cost of those choices. The public should be encouraged to participate in order to reduce costs. The success or failure of this effort should be tracked as part of evolving implementation of the State's climate change efforts, and the results should be disclosed to the public.
3. The MCAC further suggests that Michigan leverage the resources of its outstanding higher education system to promote international cooperative research pacts for the development of alternative energy sources and energy efficiency technologies.
4. Additionally, the MCAC recommends a multi-year strategy for inventorying, tracking and verifying GHG emissions and progress against state goals and targets must be developed and implemented so that progress towards state goals and targets can be accurately assessed.

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