

**Michigan Climate Action Council (MCAC)  
Draft Meeting #7 Summary**

**East Lansing, Michigan  
January 28, 2009  
Draft - 2/24/09**

**WELCOME AND INTRODUCTIONS**

CHAIRMAN STEVE CHESTER, Executive Director of the Michigan Department of Environmental Quality (MDEQ) called the meeting to order and reviewed the agenda and goals for the meeting.

**APPROVAL OF PRIOR MEETING SUMMARY**

Steve Chester raised the first order of business: Approval of Summary for MCAC Meeting #6. Tom Looby reviewed some small changes. The summary was approved with these changes.

**MEETING PURPOSE AND GOALS**

Steve Chester noted that the key outcomes for today's meeting are approve remaining Policy Options to be included in the Final Report, the targets and goals

**STATUS AND NEXT STEPS**

Tom Looby of CCS summarized the next steps of the MCAC process related to today's remaining policy options for MCAC's vote and development of the MCAC Final Report: 37 are approved, 6 are conditionally approved, leaving about 12 options that still need approval.

**PUBLIC INPUT-**

The following individuals offered comments:

Bill Cunningham, Union for Jobs and the Environment: Mr. Cunningham spoke to the idea of a state-level Cap & Trade. He said this is not realistic, and would be better to handle Cap & Trade at the federal level. He noted problems encountered by Maryland in trying to do its own program. Following those problems, a stakeholder process in MD led to a compromise with very strong goals. He noted Labor's support for a Cap & Trade program at the federal level.

By Phone: Susan Harley, Clean Water Action: Ms Harley noted that CWA has 235,000 members in Michigan. She encouraged approval of strong goals (80% reduction) for the state but opposed use of nuclear power to achieve it. She stated that nuclear takes money from alternative energy and has waste disposal problems. She thanked the MCAC for all its hard work.

Steve Chester: Covanta Energy submitted a written comment letter to the Chairman which he will read and which they want in the record.. They produce energy from waste and encourage the MCAC to support this alternative source of power.

## **REVIEW QUANTIFICATION SUMMARY**

Tom Looby provided an overview of the quantification results depicted on slides 10-17 of the Power Point presentation. He noted that the results show approximately 116 MMTCO<sub>2e</sub> cumulative GHG reductions through 2025, a cumulative cost savings of about \$10 billion and a cost/ton savings of about \$10/ton for all MCAC options (approved and pending) . There was a discussion of the various costs and savings and the job creation aspects of different options.

In response to questions about the macro economic impacts, Tom Peterson noted that this could be a next step using a Regional Economic Model Inc. (REMI) or other economic model if the State wants this additional analysis. He also noted that even though some of the options have long-term savings, there are some initial investments needed – it is a “net negative,” or cost savings over time. In response to an MCAC Member question about the likelihood of future federal actions, Tom Peterson noted that aside from the Market-Based Options the current analysis for MCAC options does not assume a price for carbon. There was discussion about the benefits of doing further analysis as part of implementation after the MCAC report is issued. Chairman Chester inquired if the Council wants to pursue this economic analyses and the response was affirmative.

As depicted on slide #16, the projection GHG reductions indicate that the sum of the reductions from the combined policy options will achieve the Interim Report Goal scenarios. Tom Looby summarized that slide 17 was merely a linear projection out to 2050 to depict where the GHG levels would be if the trajectory of the reduction slope stayed constant over that period. Concern was expressed about this linear projection out to 2050 being included in the final report and it was agreed not to include it. However, one member wants a visual showing the long term goal.

There was discussion of the need to periodically update the Inventory & Forecast as the options move into implementation phase. It was noted that this is covered in CCI-1.

## **PREAMBLE TO FINAL REPORT**

Chairman Chester reminded the group that the origin for the Preamble was that several members wanted to point out the need and likelihood of federal actions. Therefore, the idea of an introduction or preamble noting the need for the federal government’s climate policies to work in coordination with the MCAC recommendations led to the draft Preamble. The point is there needs to be a robust federal-state partnership. There was discussion about setting a price for carbon and the effectiveness of cap-and-trade. Further equity concerns for Michigan funds and jobs were raised depending on how a federal program works. This point was especially noted with regard to auction revenues. The key concern is funds flowing out from the state in excess of what it will get back. Several proposed revision to the draft preamble were proposed and approved. MDEQ will compile and distribute them.

## **POLICY OPTION PROPOSALS**

### **Agriculture, Forestry and Waste Management (AFW) TWG –**

All of the AFW options were approved at previous MCAC meetings. Tom Looby noted that slides 20 and 21 show the relative GHG reductions and costs/savings per ton of GHG reduced.

### **Transportation Land Use (TLU) TWG- Presented by Jim Wilson and Jackson Schreiber, CCS**

TLU: 1- Jim Wilson noted the coordination of this Low Carbon Fuels policy with the AFW biofuels. The TWG has added text on Implementation Mechanisms to the Policy Option Document. This option has a relatively low cost, but yields good reductions as well as secondary benefits that are not part of MCAC's analysis. The cost effectiveness of this option relates to the price of gasoline as well as other factors. Tom Peterson noted that in other states, stakeholder groups have suggested the state do supplemental economic analysis on this prior to implementation. An MCAC Member recommended that language be added on the need to conduct further economic analysis before implementation occurs to take into account the economic conditions at the time. There was consensus that this would be helpful both in analyzing costs and co-benefits. This should be added to the Implementation section on page 2. The indirect effects of biofuels such as their related land use changes (with potential CO<sub>2</sub> releases) will also be added as a concern. With these changes, this option was approved unanimously.

TLU-4: Advanced Vehicle Technology – The initial goal of 5% penetration was bumped up to 10% based on consultation with the auto industry. The TWG also looked at hybrid buses as well as light duty vehicles. Given the small number of vehicles involved, this option does not have a large GHG reduction. Nonetheless, the TWG felt its “forcing” effect on advancing technology is worth the cost/effort. A Member raised the high cost and the possible opportunity cost of spending money on this option versus investing on the RCI-type options that are more win-win. Another argued that there is value in submitting this even though it wouldn't be the highest priority. Over time, it has a large potential payoff. Tom Looby asked if MCAC wanted to add language to this effect to the “Additional Benefits and Costs” section on page 47. MCAC agreed. There was also interest in expressing concern for long-term cost uncertainties in the Uncertainties Section. The option was approved unanimously with these changes.

### **RCI TWG- Presented by Ken Colburn and Matthew Brown, CCS**

RCI- 1- 2, 4, 7 and 8 were moved for approval as a group. There was unanimous approval of all of these options without changes.

RCI-6: After brief discussion, this option was approved unanimously without changes.

### **Energy Supply (ES) TWG- Presented by Jeff Wennberg, CCS**

ES-1: This option is linked with RCI -6, approved above. This option was approved unanimously without changes.

ES-3: This option also relates to RCI-1, approved at today's meeting. Jeff Wennberg of CCS provided an errata sheet and reviewed some changes and corrections and reconciliation with PA 295. There was an amendment to the Parties Involved section, 2<sup>nd</sup> sentence on page 12 to replace "forward that money to the MPSC, which will procure" with "fund". With this change and the errata sheet changes Jeff Wennberg provided, this option was approved unanimously.

ES-6: There was extensive discussion about this option and changes from the ES TWG. An MCAC Member raised the concern about the lack of adequate high level radioactive waste storage/disposal options. Another member expressed serious concerns about the current practice of storing these high level radioactive wastes in close proximity to the Great Lakes and all of the risks associated with it. After discussion it was agreed that language needs to be added to the Policy Design on page 24 to address the existing near-term radioactive waste storage/disposal problem. This language should call for the safe storage of existing wastes, preferable away from proximity to the Great Lakes. There was consensus on this approach. Additionally, since ES-6 deals with potential new nuclear plants it was suggested that there be an additional bullet in the Policy Design to call on the federal government to move expeditiously to solve the long-term storage and disposal problems from nuclear plants around the whole country. There was also consensus on this addition. With these amendments, the vote to approve this option was 16 in favor, 6 opposed [Pollack, Ettawageshik, Garfield, Hiefje, Bazzani and Overmeyer for Heartwell] and two abstentions [Martinez and Calloway for Bierbaum]. The Barriers to Consensus Section should reflect concerns about the lack of a satisfactory long-term storage and disposal solution for these types of wastes.

ES-10: Technology-focused Initiatives. Jeff Wennberg reviewed the history of this option. It is not to be viewed as an endorsement of any specific technology or facility, although the biomass analysis was based on the proposed Wolverine plant. Any such project will be very site and region-specific. Language was suggested to address N<sub>2</sub>O emissions issue from some biofuel plants, to assure that it MCAC is not endorsing technologies that emit more potent GHGs (CO<sub>2</sub> equivalent) than current energy supply technologies. It was proposed to add the following language about this to Key Uncertainties section. "There is some question about whether certain biomass-co-firing technologies could result in higher GHG emissions profiles than other coal-based technologies. Policy-makers are encouraged to clarify this issue prior to making decisions about specific projects." This amendment was agreed to unanimously. With this change the vote on this option was 21-3 [Garfield, Pollack and Hiefje voted no]. The Barrier to Consensus will reflect the concern that this could lead to more coal fired power plants being built.

ES- 12: This option is tied to RCI-8 and the analysis is included ES-1. There was one amendment approved on page 64 dealing with not emitting more than current GHG emission levels. Lana Pollack, Mayor Hiefje, and Mike Garfield wanted this option to look at the environmental impact (whether GHG emissions would increase) when one

technology replaces another. This could be included in the key uncertainties section. With this change this option was unanimously approved.

**Cross Cutting Issues - Presented by Stephen Chester and Tom Looby**

CCI-2: Statewide GHG Reduction Goals and Targets. Since this initiative began, the Midwestern Governor’s Association (MGA) GHG Accord process has established 2005 as their baseline year and is looking at a range of goals and targets with one scenario being a 20% reduction below 2005 levels by 2020. MDEQ and the CCI TWG propose that MCAC should be consistent with MGA’s goals and that MI should have a goal of seeking a 20% reduction below 2005 levels by 2020 and an 80% reduction below 2005 levels by 2050. Mr. Chester noted that these are not intended to be compliance level goals but a planning goal. There was an amendment approved to the last sentence of the second paragraph under Policy Design as follows: add “goals and” after reduction, and delete “to meet our emission goals” from the end of the sentence.” Mr. Looby noted the need to update language on page 7 to reflect this is the final report rather than the interim report. With these revisions, CCI-2 was approved unanimously, with one abstention [Jon Allan].

**Market Based Policies (MBP) TWG- Presented by Jeff Wennberg and Adam Rose, CCS**

Jeff Wennberg gave an overview of issues related to the Market Based Policy options. Adam Rose and Dan Wei of CCS presented an analysis of the MGA cap-and-trade program (2020 and 2025).

MBP-1. Greenhouse Gas Cap-and-Trade. The MCAC is strongly recommending a national program. If the federal government does not act quickly, MCAC recommends participation in the regional MGA program until a national program is adopted. Chairman Chester suggested removing the 3<sup>rd</sup> paragraph and the associated bullets on page 5, including safety valve language. All agreed. Another suggested change in the first full paragraph on page 4 to delete “consumers or ratepayers” to Michigan residents (2 places). All agreed. With these text changes, the option was unanimously approved.

MBP-2 Carbon Tax. The Carbon Tax. Note: The term “Carbon Fee and Rebate Program” was preferred by several members of the TWG. This reflects that this option is to be a revenue neutral tax shift. Money is collected, but it is recycled as a rebate or tax reduction to people in Michigan. A threshold question is whether, given that MCAC approved MBP-1, the Cap-and-Trade (C&T) program, does the MCAC also want a Carbon Tax option to address the sectors not easily covered by the C&T program? Specifically, those sectors are agriculture, forestry and waste (AFW). In other C&T programs, AFW sectors are a major source of potential offsets. Generally, it was pointed out, transportation is the place where a tax makes most sense. This option is not for Michigan only – it is to be regional or national, as with MBP-1 (C&T) This option has 2 sub-options: 1) An

economy-wide C&T and a Carbon Tax Complement for AFW which was the TWG's recommendation; or, 2) C&T applies to the power sector only and the Carbon Tax Complement applies to all other sectors. Some members expressed concern about not having an economy-wide analysis of the program options.

After further discussion, the MCAC voted unanimously to remove MBP-2 from its recommendations. It was noted that if there is no federal action, Michigan will have to look at a host of policy options, including a carbon tax.

MBP-3: Michigan Joins Chicago Climate Exchange (CCX). Other states (IL, NM) have joined this GHG trading mechanism. It requires a 10% GHG reduction commitment from states on their own government buildings/operations. (Timing is not set in stone, but it is a contractual obligation and \$30,000 cost.) The state can sell (or buy) credits through the CCX. This is a key "state lead by example" option. Approved unanimously with no changes. One abstention [Boyd]

MBP: Fiscal Policies (merged with MBP-6)

MBP-5: Carbon Credit System (considered within MBP-1).

MBP-6: Market Advisory Group. This Group would provide ongoing market advice as state policy makers engage in the ongoing national climate debate. Approved unanimously with no changes.

MBP-7 Cost analysis (incorporated into all policies).

#### **FURTHER DISCUSSION - Draft Preamble document.**

The MCAC discussed the redrafted document provided by Steve Chester. The group recognized that any federal legislation will focus on cap and trade and that any federal program needs to be efficient as well as structured in a manner that drives immediate GHG reductions.

The following sentence was added to the bullet on the third page beginning with "A national": Without approving any particular measure, we note that examples of such potential measures are identified in Market Based Policy-1.

A MCAC Member suggested adding the language to the last bullet on page 3. The bullet then reads "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 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."

## NEXT STEPS

Tom Looby of CCS reviewed the Draft Table of Contents for the Final Report, explaining the general content of the Executive Summary and Chapter 1 (Background and Overview.) Policy Option Descriptions are reformatted to become the technical Appendices. Chapters are a brief summary of the Appendices.

CCS will develop a draft report for consideration of MCAC based on today's decisions. The Policy Option Description documents will be revised – the target is end of next week. These will then be incorporated into draft technical appendices along with the Chapters and other sections noted in the Table of Contents – this will be the 1<sup>st</sup> Draft Final Report. These sections will be posted to the website—MCAC Members and TWG Members will review to make sure the draft reflects the deliberations and decisions of the MCAC. (New options/recommendations will not be added; the report is based on decisions made throughout the process and in the POD approvals.) Comments will be submitted by e-mail, reviewed by MDEQ and CCS and appropriate revisions incorporated into a Revised Draft Final Report. This Revised Draft will be posted to the website in preparation for the final MCAC meeting that will be held via teleconference from 2-5 pm ET on February 26, to address any final changes.

The meeting adjourned at 4: 50pm.

## ATTENDANCE -

### - Michigan Climate Action Council (MCAC) Members (or designees)

Jon Allan  
Guy Bazzani  
Dr. Rosina Bierbaum  
Skiles Boyd

Steve Chester  
Norman Christopher  
John Sarver for Keith Cooley

Frank Ettawageshik  
Michael Garfield  
Cortland V. Oranger for Mayor George Heartwell  
Chuck Hersey  
John Hiefje

Mindy Koch for Rebecca Humphries  
Dana Kirk  
Gordon Werk for Don Koivisto  
Curt Magleby (by phone)  
Brad Markell

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Monica Martinez  
Frank A. Krich for Reginald Modlin  
Dennis Muchmore  
Raymond Scott for Willa Williams

Lana Pollack  
Polly Kent for Kirk Steudle  
Lisa Webb Sharpe  
Jim Weeks (by phone)  
Richard Wells  
Al Weverstad  
Dr. Gregg Zank

**- State of Michigan Staff (not listed above)**

MDA  
Gordon Wenk

MDEQ  
Donna Davis  
Jim Goodheart  
Steve Kulesia  
JoAnn Merrick  
Mary Maupin  
Marcia Horan  
Lynn Fiedler  
Amy Butler  
Terri Novak

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Polly Kent

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MPSC  
Julie Baldwin  
Monza Martinez  
Mathew Pung

DNR  
Mindy Koch

Executive Office  
Liesl Clark

**- General Public**

Norman Christopher, GVSU  
Bill Cunningham, WJAE  
George Curran, Kotz-Sangster  
Dustin Fancher  
John Griffin, American Petroleum Institute of Michigan  
Susan Harley, Clean Water Action (by phone)  
Frank Krich, Chrysler  
Nora Macaluso, BNA  
Dennis Meulhenore, MUCC  
Gregory Ryan, DTE Energy  
John Sarver, DCLE Co.  
Fred Sciance, GM  
Jon Walker, Consumer Energy  
Brian Wanner, Wilemson (?) Power  
Joan Wiedner, SEMCOG  
Rich Wells, Dow Chemical  
Paul Zugger, MI United Conservation Clubs

**- CCS**

Ken Colburn (by phone)  
Tom Looby  
Tom Peterson  
Steve Roe (by phone)  
Adam Rose (by phone)  
Jackson Schreiber (by phone)  
Jeff Wennberg  
Jim Wilson (by phone)