



Governor's Action Team on Energy and Climate Change
State of Florida

www.flclimatechange.us

DRAFT TELECONFERENCE MEETING SUMMARY

Cap and Trade

Technical Working Group Call #1

February 29, 2008

Members Attending:

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| Debbie Harrison | Jerry Karnas | Randy LaBauve (for Armando Olivera) |
| Kathleen Shanahan | Kathy E. Viehe | Tim Devlin |
| Judi Greenwald | John Hewa | Michael Hewitt |
| Jim Vick | J. Michael Kennedy | Laura Crouch |
| Robert Kaufman | Julie Harington | John P. Cahill |
| Terry Murphy | Robert M. Reedy, P.E. | Greg Munson |

Florida Department of Environmental Protection (DEP): Brenda Buchan, Teresa Mussetto

Center for Climate Strategies (CCS): Jeff Wennberg, Tom Peterson

Members of the Public: Don Gilke, Jennifer Fisher, Petra LePage, Sandra McLean, Robert Manning, Jennifer Kelley, Blake Elliot, Ben Stewart, Chris Shore, Tim Jeffries, Joe Foote, John Wakefield, Barry Moline, Mia Wade, representatives from Gulf Coast College, University of South Florida, Lykes Brothers, Hopping, Green and Sams, Johnson Engineering, and Seminole Electric.

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1. Introductions – Jeff Wennberg from CCS introduced himself and called roll for the members of the Cap & Trade Technical Work Group (TWG). Then he asked the members of the public to introduce themselves and their affiliation. All of the TWG members and approximately 30 members of the public were on the call. Jeff provided information on where to find the Florida Climate Change web site and mentioned the power point presentation available there.
 2. Purpose and Goals – Under Executive Order 07-127 Governor Crist charged the Action Team to develop a comprehensive Energy and Climate Change Action Plan that will fully achieve or surpass his Executive Order targets for statewide greenhouse gas reductions specified in Executive Order 07-127. This includes guidance on the design of a market- based emissions allowance trading program.

3. Florida Sunshine Laws Briefing – Teresa Mussetto, an attorney from Florida Department of Environmental Protection’s (DEP) General Counsel’s Office presented information on Florida’s government in the Sunshine Laws that will affect members of this TWG. For specific information on the Sunshine Law, see Florida Statutes 286 or the Sunshine Manual at <http://www.myfloridalegal.com> . The Sunshine Law applies when two or more members communicate on issues facing the TWG whether it is face to face, over the phone, or email. The Law prohibits two or more members of speaking on pertinent issues unless the meeting is noticed to the public, and provided at a time and in a manner for the public to attend. Members must give effective notice before meeting and if the meeting runs long and must be continued, subsequent meetings must also be noticed. Within the notice the objective of meeting must be clearly stated or an agenda provided. If the TWG decides to hold a field trip and it is not possible to have the public along the members must not hold a discussion on issues before the group. It must be a silent trip. For all meeting minutes must be taken and provided to public. At the meeting locations public access must be made available, whether it is in a physical building or over the phone. Anyone who would like to participate should be accommodated and given a meaningful opportunity to make comments. Florida’s Ethics Laws require members to abstain from voting if a conflict of interest exists. Social or public meetings ok just don’t use it as a forum to express views or conversation on issues relevant to this work group. Members can provide reports or concept papers to the group. Members cannot use third persons as a liaison, such as DEP staff, to convey ideas to other members, neither directly or indirectly. Members of public must be able to conduct audio or video recordings of the meetings. All matters must be clearly spoken so that all can be understood.

Jeff Wennberg noted here that all of the TWG calls will be recorded. A written summary will be prepared and posted on the web page. The members can make changes to the minutes. Minutes will be approved on the next call or modified. All written communications between anyone dealing with the committee are public documents. Any documents prepared are public documents. A question was asked, what about communications between this committee and another committee? The answer is that it is ok, if the member is going as an individual to ask a question of another group. Since each working group will make its own recommendations and will be working separately there appears to be no conflict. This assumes the person in question is not a member of the Action Team, and as long as the person is working in their own capacity. Members should exercise caution if they think there will be a collaborative effort between the two TWGs.

4. Review of the Action Team and Technical Work Group (TWG) process - Jeff summarized Governor Crist’s three Executive Orders pertaining to climate change. It was emphasized that this group has a big task and must be efficient

with its time together. All of the information is available on the Serve to Preserve website <http://www.dep.state.fl.us/climatechange/>.

The first three recommendations on the Phase I slide are important to the mission of this particular group. They are for Florida to have a mandatory reporting through the Climate Registry, to have a Cap & Trade market-based greenhouse (GHG) reduction program, and to explore the potential for sale of Florida offset credits to other regional climate initiatives such as RGGI. There is the broader question of whether Florida can take advantage of utilizing the state's economic credits for economic development purposes. The Action Team will make its final Phase II recommendations to Governor Crist by or before Oct 1, 2008.

The various TWGs will provide support to the Action Team in the form of technical advice. DEP will ensure timely completion. Public and stakeholders input will be provided along the way to improve the process. The Center for Climate Strategies (CCS) will facilitate the process and provide the final report. It will go out for comments and edits before it is signed off and delivered to Governor Crist.

The Cap & Trade TWG is slightly different than the other TWGs. For the other TWGs, CCS will provide a 300+ recommendation catalog for the members to review and edit to conform to Florida's needs. Those TWGs will be required to analyze, re-thinking, and revise the catalog. Cap and Trade is different because there is a very limited catalog. Florida will need to develop its own list of activities to undertake in support of a Cap & Trade program. The Cap & Trade inventory will be a robust work in progress. CCS' goal will be to strive to find the sweet spot that all members can agree to. The goal is to modify recommendations so that all members can support them. The process encourages unanimity, but a simple majority is sufficient to forward a recommendation. Any "barriers to consensus" (disagreement) by members will be documented along with the basis for the disagreement.

Jeff covered the basic ground rules of the process which is to be supportive of process and to work in good faith. The process will move reasonably fast, so please stay current. The process discourages backsliding on issues, which means that once a decision is made by the majority it will not be brought back up again for continuous rehashing. The TWG does not represent the Action Team. Members should not inadvertently lead anyone to believe they are speaking for either the TWG or the Action Team.

Typically each TWG will hold two teleconference calls between each meeting of the full Action Team. All work will be completed prior to the first of September 2008. The dates and times for the next three calls for the Cap and Trade TWG are Friday March 7, Friday March 28, and Friday April 25. All of these calls will be

from 2:00pm to 4:00pm. On the next call we will begin discussing the status of Cap & Trade programs in other states. Several of our members will be able to share their experience with Cap & Trade development in other states and Europe.

This program will be run as transparently as possible; it is open for scrutiny. All documents and data will be open for review. Decision criteria will be based on greenhouse gas reduction potential, the cost or cost savings, externalities and feasibility issues. A question was asked, if we don't get unanimous agreement what will be the basis of our decision? The answer was that the TWGs are challenged to seek unanimous consent, but of course that is just not possible in every case. There will be three classes of votes, (1) no objections, (2) super majority with only 5 or fewer objections, and (3) simple majority. The exact number of objections will be noted and the basis for those objections will also be noted. Anyone who opposes the majority view is encouraged to look carefully at the discussion of the barriers to consensus to ensure it accurately reflects their concerns.

The Cap & Trade TWG's home work assignment for this next week is to consider other related market mechanisms that can be added for consideration. This group will be ahead of the other TWGs in regards to designing policy, after just a few meetings we will jump right into policy discussions. Cap & Trade has a great many decisions to make and there will be many models to run and everything will be included in the final report. The mission of this group is to build a Cap & Trade program from the ground up on what makes sense for Florida. All of the catalogs and policy option descriptions will be included in appendices in the final report.

In the Phase I report, the Action Team voted on two specific recommendations to present to the Governor. They follow:

The Action Team recommends that Florida pursue a market-based policy of "cap and trade" by creating tradable emissions allowances as the preferable means meeting the utility sector emissions cap and the statewide emission reduction targets directed by Governor Crist in Executive Order 07-127.

The Action Team recommends a market design process for Florida's tradable allowances market as a vital component of the Florida's Energy and Climate Change Action Plan development process to occur in 2008. This design process should result in final recommendations for several considerations, including but not limited to:

- An allowance allocation process,
- Economic and emergency safety valves,
- The creation and use of emission offset credits,

- A “leakage” strategy regarding the migration of emissions into surrounding states,
- Trial periods, and
- Timeframes for full implementation.

The design process should consider linking a Florida-based allowances trading market with other regional or international markets.

CCS provided a paper (Cap & Trade a Policy Design Menu) on the key decisions that need to be made when designing a Cap & Trade program. This paper is posted on the web site.

5. Development of Florida Emissions Inventory & Forecast – Jeff recognized that DEP’s Air Quality Division has already done an enormous amount of work on the emissions inventory. Key points to be made on the inventory and forecast are that it is a helpful planning tool, it is not the best tool for compliance decisions, and the inventory thus far estimates gross emissions (not including carbon sinks) but projections including net emissions will be produced for Florida.
6. Development of the FL Catalog of States’ Actions - The catalog for Cap & Trade only has four items on it and it has not been provided yet. It will be distributed prior to the next call.
7. Review of Next Steps – We hope to conduct a briefing on RGGI at the next meeting along with a discussion on the computer models that will be used to support the committee’s deliberations. The first few meetings will include presentations on specific programs or aspects of Cap & Trade with some discussion of issues. Then as the program progresses we’ll have fewer presentations and more deliberations. Reports from the modelers will become a regular part of each agenda later in the process.
8. Agenda, Date and Time for Next Meetings - The next scheduled meeting of the TWG will be in one week on Friday March 7, 2008 from 2:00pm – 4:00pm Eastern. That will be the last TWG meeting until the next full meeting of the Action Team on March 17, 2008. If members have suggestions for future presentations to the TWG, please contact either Jeff Wennberg at CCS (wennberg.ccs@gmail.com) or Brenda Buchan at DEP (Brenda.Buchan@dep.state.fl.us) and let them know.
9. Public Comments - A question was asked as to which modeling program will be used. Jeff said the tool was developed by the team from the University of Southern California that will be assisting the committee. It is an equilibrium model that gives the results of trading in the form of which jurisdictions buy or sell allowances, to what degree and at what cost. The model will show the cost or

cost savings to Florida entities as a result of the cap and trade program. It allows many variables to be adjusted. The model will not show job gains or losses, which can be projected with other tools.

A question was asked if we will email the public to send them documents or other information? All of the information sent to members will be also posted on our website at the same time. We can put together a public distribution list to notify the public when new information is posted or they can check on the web site periodically.

A question was asked if we can get a template from other states to see what they have done. Yes, go to the CCS website and look at all the other states' templates that have undertaken a climate change program. Specifically a good one to look at is Minnesota's draft at www.mnclimatechange.us. Please keep in mind while looking at Minnesota's template that Florida's will be different based on Florida's needs. It is important to develop a program for Florida that is best for Florida. However, looking at Minnesota's program can give you a feel for how the system is developed.

10. Announcements – There were no additional announcements. The call ended at 4:00pm.