



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

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**DRAFT TELECONFERENCE MEETING SUMMARY**  
**Cap-and-Trade**  
**Technical Working Group Call #2**  
**March 7, 2008**

**Members and Pending Appointees Attending:**

<b>Debbie Harrison</b> World Wildlife Fund	<b>Jerry Karnas</b> Environmental Defense	<b>Randy La Bauve</b> for Armando Olivera Florida Power & Light
<b>Kathleen Shanahan</b> Workable Responsive Solutions & Infrastructure & Environmental Inc.	<b>Kathy Viehe</b> Gainesville Regional Utilities	<b>Tim Devlin</b> Public Service Commission
<b>Judi Greenwald</b> Pew Center for Global Climate Change	<b>John Hewa</b> Talquin Electric Cooperative	<b>Michael Hewett</b> Publix Supermarkets
<b>Michael Kennedy</b> Florida Progress Energy	<b>Laura Crouch</b> Tampa Electric Company	<b>Julie Harrington</b> Florida State University
<b>John P. Cahill</b> Chadbourne & Park	<b>Terry Murphy</b> Miami-Dade County	<b>Bob Reedy</b> Florida Solar Energy Research Center
<b>Greg Munson</b> WRS Compass		

**Florida Department of Environmental Protection (DEP):** Brenda Buchan

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

**Members of the Public:** Heidi Whidden (Calpine), Florida Chamber, Mike Wallender (Greenberg Traurig), Alex Fernandez, Jennifer Calay, Bob Krasowski, Robert Manning (Hopping Green Sams), Mark Von Zunderden, Ken Jefferies, Candice Gimble, Ben Stewart (Brady Thomas Yon Clark), Judy Harlow (FPSC), Ray Cole, Adam Rose, Dan Wei

1. Introductions – Jeff Wennberg from CCS introduced himself and called roll for the members of the Cap & Trade Technical Work Group (TWG). The members of the public were asked to introduce themselves and identify their affiliation. All but two of the TWG members and approximately 20 members of the public were on the call.
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. The following recommendations were voted on and approved in Phase I:

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.

3. Review and Approval of Call #1 Summary – Summary approved with some spelling of names corrected.
4. Overview of U.S. Regional C&T Initiatives – Reviewed the different Climate Initiatives underway including RGGI, Midwest and Western. A map was provided showing the states participating in The Climate Registry (TCR). Most states in the U.S. are members including Florida. Also, seven Canadian provinces and two Mexican states are members. The program is almost a national program. TCR develops and manages a common greenhouse gas emissions reporting system with high integrity that is capable of supporting multiple greenhouse gas emissions reporting and emissions reduction policies for its member states/tribes and reporting entity. A question was asked about what it means for utilities to have Florida join TCR. Jeff answered that he would guess the state would want the utilities to report directly to TCR.

John Cahill will provide more information on RGGI at our next meeting.

A question was asked about whether the various initiatives (RGGI, WCI, Midwest CI) are talking to one another. Yes, they do share information and have interest in pursuing a coordinated effort in the future, especially WCI and MCI. They are mindful of a future federal plan usurping their efforts. They have been comparing notes on influencing Washington. A question was asked about the impact of various regional efforts and future national efforts on investment values in carbon markets. Folks are aware of concerns within regions and at the federal level. Morgan Stanley and others felt that Florida should bring together the various regional efforts and should force a national effort. If Florida

could bring all the various efforts together we could force the federal effort because they don't like being usurped by the states. The other regions see both the opportunities and the risks of pursuing their individual efforts. Warner Lieberman rewards states for having stronger standards.

5. Briefing on C&T Modeling - Adam Rose and Dan Wei introduced themselves. They have completed modeling work for Minnesota and other states. They have developed a Cap and Trade mathematical trading model which can accommodate policy refinements or modifications. They provided examples of various program models and provided examples of cost curves. Through their program they can estimate the marginal costs of greenhouse gas mitigation efforts. The cost curves illustrate that a number of the items demonstrate advantages in mitigating costs. Using these quantitative graphs allows states to enact mitigation steps with the lowest costs first. Through modeling Minnesota and other neighboring states they were able to estimate their mitigation costs, cost savings, permits traded, and emission reductions. A question was asked about whether they found 75% cost savings by participating in the EU's emission trading program? The response was not exactly, it is doubtful because the figures were optimistic. However, it is true that the more diverse the trading the better the effectiveness. A question was asked on which states we should be working with. The answer is those with low cost mitigation factors if you are a buyer. Why, because it is more cost effective. Gives the utilities in the state low cost purchasing options, lowers the permit price if you are a buyer. If you are a seller, then you want partners with high costs because they will bid up the price. Trading partners do not have to be geographically located next to each other. Geography does not matter from the perspective of a benefit to global climate change. There are trade offs between shutting a state out or including them as a trading partner. If high cost states are shut out as trading partners they may not participate in any effort to implement climate change mitigation, therefore they should be encouraged to participate. We will explore these concepts in greater depth in the future. Adam and Dan will be regular participants on calls in the future. A question was asked about agricultural soil practices improving CO2 emissions. If farmers can get increased fertility from the soil to get bigger crops, then there are cost savings to consumers.
6. Briefing on Regional Greenhouse Gas Initiative (RGGI) – We will postpone this presentation until the next call.
7. Development of the FL C&T Catalog of States' Actions - The Cap & Trade catalog consists of one page and four items. One is a given, Cap and Trade and, the others are other options available to Florida. There was a request to add feed-in tariffs; however, it is already in the Energy Supply and Demand TWG. One option that can be listed is actions that the state can do to prepare for or influence future Federal GHG mitigation programs. Should Florida explore mechanisms and measures that allow Florida to better compete in a national marketplace? The goal of designing a Cap & Trade program now is to anticipate a national market based system and to get Florida ready to take full advantage of those opportunities. A question was asked about what's up with the carbon tax on the catalog list? It was left on the list because some states choose to consider both

a cap & trade program in one industrial sector (such as electricity generation) and a tax on a different industrial sector (such as transportation fuels). The two would not overlap; they would be side by side. A question was asked if we can include tax discussions in the future to gain more information. We can get a briefing on how taxes work in conjunction with a cap and trade system at a future meeting.

8. Discussion on Expectations for C&T Recommendations – In the Phase I report there were seven items identified as deliverables from this group. They include: (1) an allowance allocation process, (2) economic and emergency safety valves, (3) the creation and use of emission offset credits, (4) a leakage strategy regarding the migration of emissions into surrounding states, (5) trial periods, (6) timeframes for full implementation, and (7) the design process should consider linking a Florida-based allowances trading market with other regional or international markets. A question was asked if we could set up a location on our website to share documents on cap and trade with the members and the public. We will explore setting up a site on DEP' climate change website and link it to the Action Team website.
9. Review of Next Steps – Next steps include expanding the seven items to capture other key design recommendations, and then narrowing the scope for analysis.
10. Agenda, Date and Time for Next Meetings - The next full meeting of the Action Team will be on March 17, 2008. The next scheduled meeting of the TWG will be on Friday March 28, 2008 from 2:00pm – 4:00pm Eastern. If members have suggestions for future presentations to the TWG, please contact either Jeff Wennberg at CCS ([wennberg.ccs@gmail.com](mailto:wennberg.ccs@gmail.com)) or Brenda Buchan at DEP ([Brenda.Buchan@dep.state.fl.us](mailto:Brenda.Buchan@dep.state.fl.us)) and let them know.
11. Public Comments – A question was asked on whether we would be interested in a global buyers club, such as with automobiles with lower emission standards. A question was raised expressing concern that cap and trade should be considered in regard to taxes and auctions. He also expressed concern that the public is not able to follow the technical work groups because there is too much going on with six technical work groups, the full Action Team, the Energy Commission, and the legislature all holding meetings at the same time. It was pointed out that we have at approximately 20 members of the public involved in this call today. The state of Florida has the most stakeholders and public engaged in this process that CCS has ever seen.
12. Announcements – There were no additional announcements. The call ended at 4:20pm.