



Governor's Action Team on Energy and
Climate Change
Phase II Process

Meeting #3, May 29-30, 2008

day one

Welcome and Introductions

- Action Team
- Florida Department of Environmental Protection
- Florida Governor's Office
- TWG Members in Attendance
- Center for Climate Strategies

Agenda

Meeting Agenda for Thursday, May 29, 2008:

- 10:00 Welcome and Introductions
- 10:15 Review and Approval of Action Team Meeting #2 Summary
- 10:20 Update: Florida Legislative 2008 Session – House Bill 7135
- 11:10 Review and Discussion of Florida Inventory and Forecast
- 12:00 Lunch Break
- 12:45
 - Review and Approval of Priorities for Analysis: Overview
- 12:55
 - Consideration of Energy Supply and Demand Options
- 2:00
 - Consideration of Transportation and Land Use Options
- 3:00
 - Consideration of Agriculture, Forestry, and Waste Management Options
- 5:00 Public Input and Announcements
- 5:30 Adjourn

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Agenda

Meeting Agenda for Friday, May 30, 2008:

- 8:30 Welcome and Introductions
- 8:45
 - Consideration of Government Policy Options
- 10:15
 - Briefing on Adaptation Framework, Catalog
- 11:45 Lunch Break
- 12:30
 - Consideration of Cap and Trade Options
- 2:00 Agenda, Time, and Date for Next Meeting
- 2:10 Public Input and Announcements
- 2:30 Adjourn

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Review and Approve Action Team Meeting #2 Summary

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Update: Florida Legislative 2008 Session – House Bill 7135

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Florida Draft GHG Emissions Inventory and Forecast

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Inventory Approach

- Standard US Environmental Protection Agency (EPA), United Nations, Intergovernmental Panel on Climate Change (IPCC) methodologies, guidelines, and tools
- Emphasis on transparency, consistency, and significance
- Preference for Florida or regional data, where available
- Consumption- and production-basis emissions from electricity generation
 - Very simplified approach used for initial analysis

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Projection Approach

- Reference case assumes no major changes from business-as-usual (BAU)
 - Includes approved policies and actions to the extent possible (e.g., Energy Efficiency, Renewable Energy)
- Growth assumptions from existing sources
 - State population
 - US Census
 - US Energy Information Administration

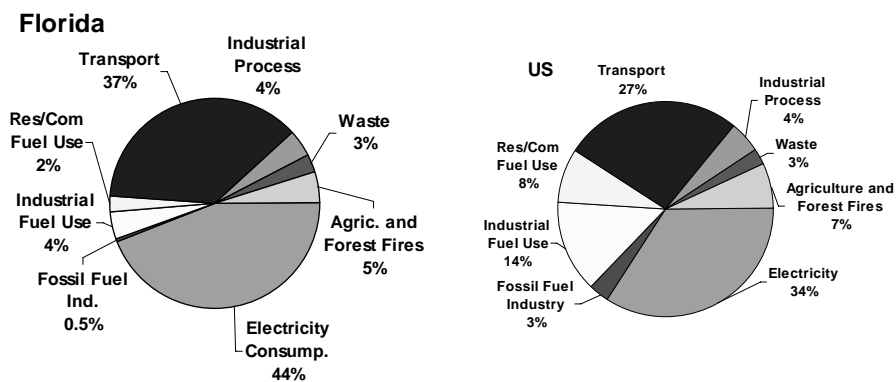
Coverage

- Six gases per USEPA and UNFCCC guidelines
 - Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆)
- All major emitting sectors
 - Electricity Supply & Demand (Consumption-Based)
 - Residential, Commercial, Industrial (RCI) Fuel Use and Non-fuel Use Processes
 - Transportation (onroad and nonroad)
 - Fossil Fuel Industry
 - Agriculture, Forestry, and Waste Management
- Emissions expressed as CO₂ equivalent
 - 100-year global warming potentials
 - CO₂ = 1; CH₄ = 21; N₂O = 310; HFC-23 = 11,700; SF₆ = 23,900

Key Points

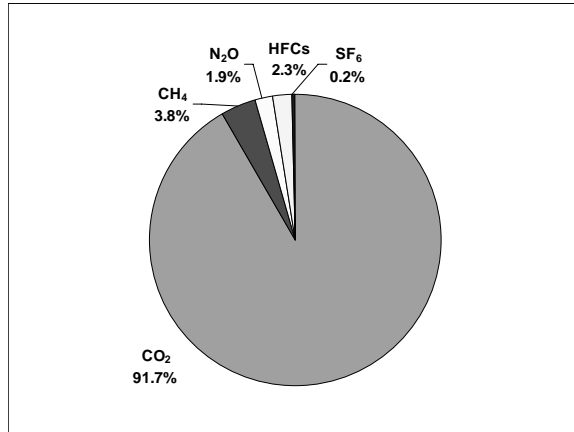
- Preliminary draft for Governor's Action Team on Energy and Climate Change and TWG; review and revision, as needed
- Helpful for diagnosis of GHG emissions, but not a baseline for modeling or compliance for individual options
- Consumption and Production methods
- Gross and Net methods

Florida & US Gross Emissions By Sector, 2005 (Consumption Based)



Florida Gross Emissions By GHG, 2005

(Percentage on Consumption, MMtCO₂e Basis)

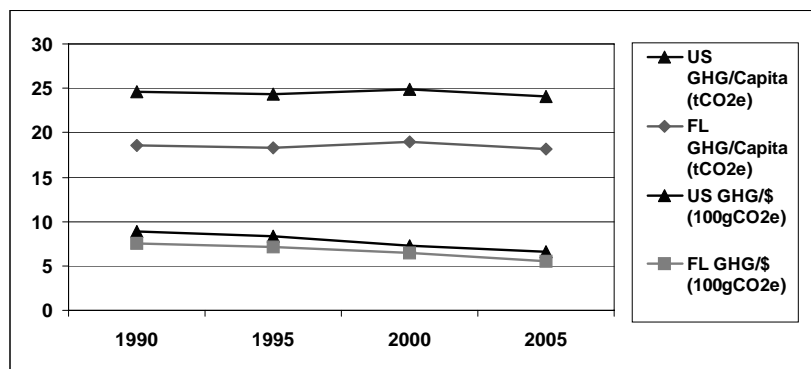


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Per Capita and GSP/GDP Gross GHG Emissions, 1990-2005

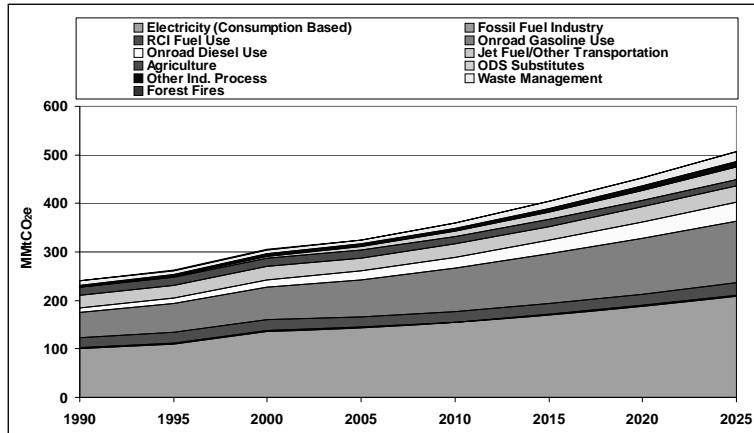


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Florida Gross GHG Emissions By Sector, 1990-2025 (Consumption Based)

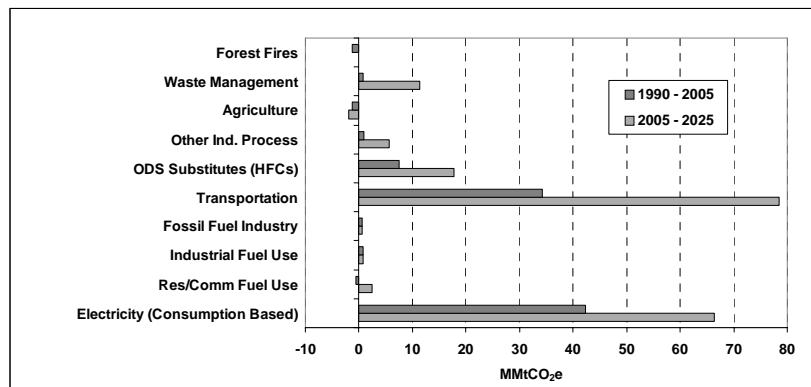


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Florida Gross Emissions Growth (MMtCO₂e, Consumption Based)

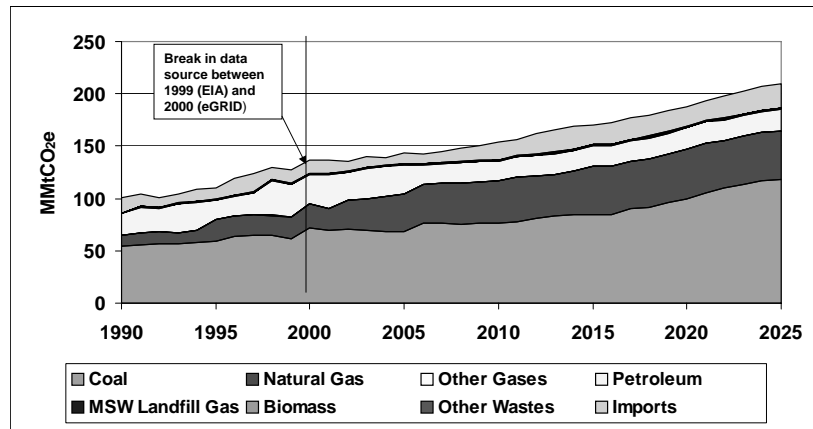


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Electricity – Emissions

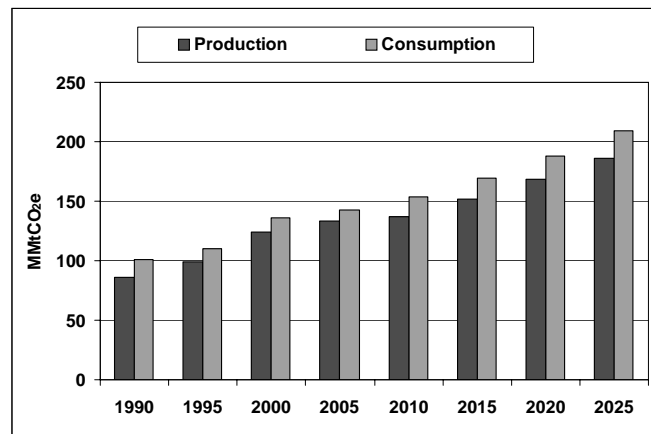


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Electricity - Emissions

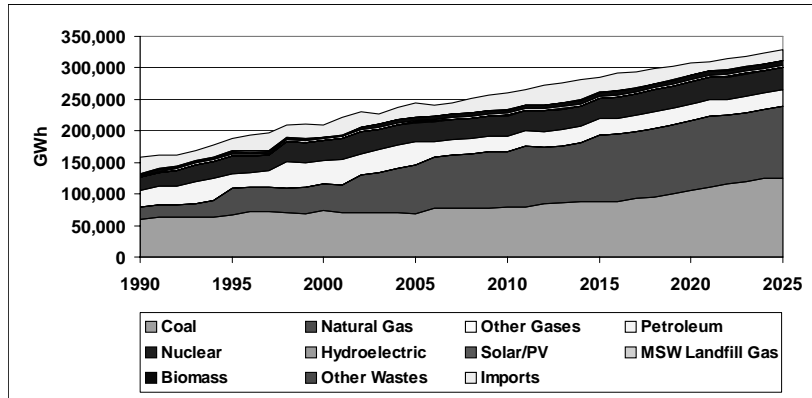


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Electricity – Gross Generation

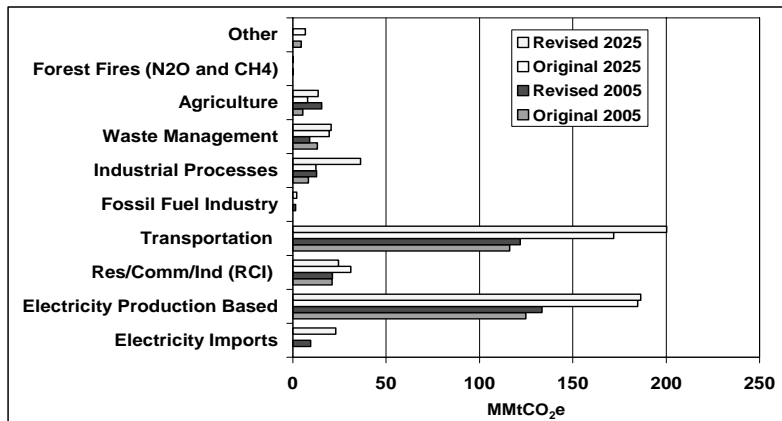


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Comparison of Original and Revised Emissions for 2005 and 2025



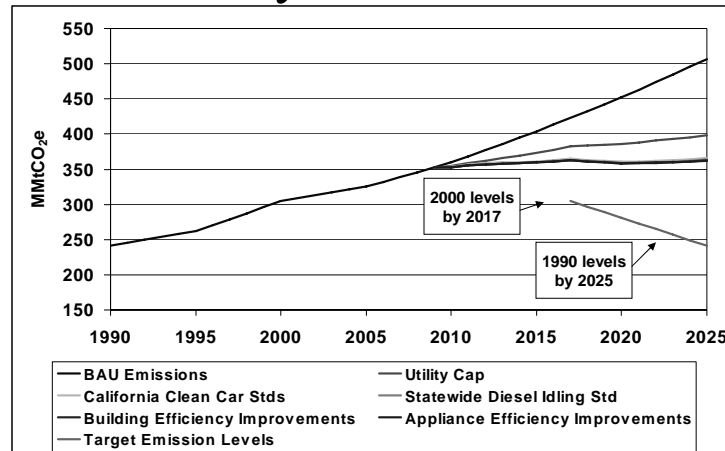
“Original” refers to the data presented at Meeting #1 of the Florida Climate Action Team.

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Recent Florida Actions – Preliminary GHG Reductions



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Electricity

- Data Sources
 - Historical
 - Generation and fuel consumption for 1990-1999
 - 906/920 Monthly Time Series data (EIA)
 - Monthly Cost and Quality of Fuels for Electric Plants (EIA) – coal-type data
 - State Electricity Profile (EIA) – sales of electricity
 - Base Year 2000
 - eGRID—EPA database of CO₂e emissions from Florida power plants
 - Forecast
 - EIA/Annual Energy Outlook 2007 for Southeastern Reliability Council (SERC) and SERC/FL regions
 - Projected electricity sales and generation for 2001-2025
 - Projected trends in combustion efficiency improvement and transmission & distribution losses for 2001–2025

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Electricity

- Methodology
 - Key Inputs
 - Coal quality used in FL power stations
 - Gross annual primary energy consumption by FL power stations by fuel type
 - Gross annual generation to meet FL demand
 - Multiply gross annual primary energy consumption by FL power stations by CO₂e emission factors
 - Difference between primary energy required to meet FL demand and energy generated from FL power stations assumed to be met with imports
 - Assumed to be imported from SERC region

Electricity

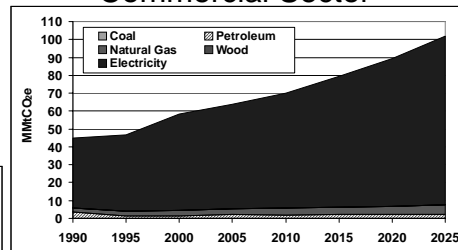
- Key Uncertainties
 - Top-down approach
 - Assumes FL electric systems evolve consistently with the surrounding SERC/FL and SERC regions
 - Does not capture all state-specific system characteristics
 - Differences in primary data sources by time period
 - eGRID data for 2000 base year; EIA data for 1990-1999
 - Source of electricity imports
 - All imports assumed to come from SERC region
 - Coal quality over time
 - Coal quality for 2000 assumed for forecast period

Recommendations from ESD TWG

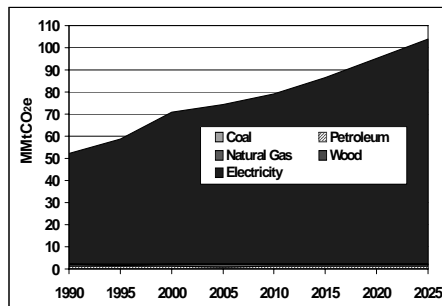
- Use Florida Annual Operating Report (AOR) data as primary data source for 1990-2007 electric utility emissions
 - Will need to account for imported electricity separately
- Use latest available Florida Reliability Coordinating Council (FRCC) 10-year plan as primary source of projected generation
 - Latest forecast shows decrease in coal use due to scrapping of several planned coal units; increase in natural gas use
 - Fuel mix may be less reliable than total projected generation
 - Decision:
 - Include emission reductions from utility emissions cap in business-as-usual (BAU) forecast or show reductions as wedge incremental to BAU

RCI

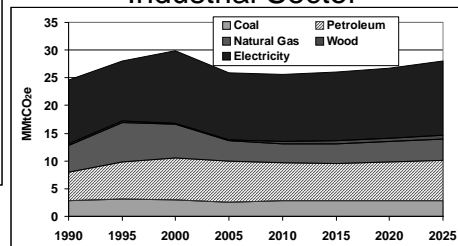
Commercial Sector



Residential Sector



Industrial Sector



RCI

- **Data Sources**

- Historical
 - US DOE Energy Information Administration (EIA) State Energy Data (SED)
- Forecasts
 - Residential – FL population annual growth rate (2005-2025)
 - Commercial/Industrial – EIA Annual Energy Outlook 2007 (AEO2007)
 - Projected fuel consumption by fuel type for EIA South Atlantic region

- **Methods**

- Historic
 - US EPA State Greenhouse Gas Inventory Tool (SIT)
 - Energy consumption multiplied by emission factors
- Forecast
 - Fossil fuels and wood – annual growth rate applied to latest year of emissions
 - Electricity emissions attribution – AEO2007 forecast for Southeastern Reliability Council (SERC) / FL region and SERC region (for Northwest portion of the state)

RCI

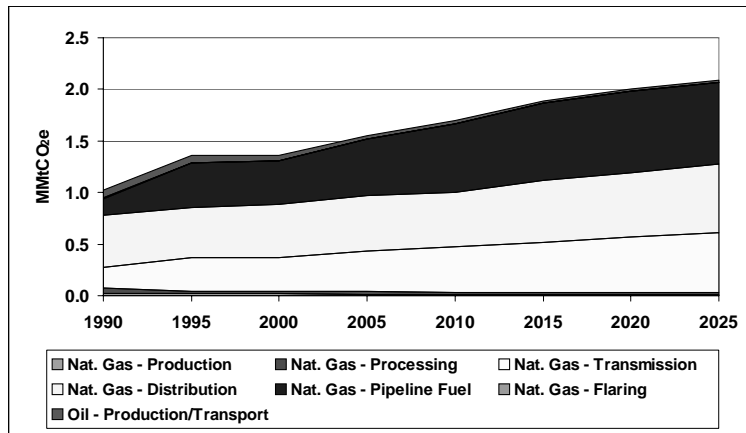
- **Key Assumptions**

- Residential sector
 - Projections based on normalized regional AEO2007 growth projections of fuel use scaled for FL population
- Commercial/Industrial
 - Projections based on regional AEO2007 growth projections of fuel use

- **Key Uncertainties**

- Regional projections
- Industrial sector growth and mix

Fossil Fuel Industry



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Fossil Fuel Industry

- Data Sources

- Historic Natural Gas (1990-2005)

- Production – number of FL gas wells from FL DEP database
 - Processing
 - Number of gas processing plants in FL from *Oil and Gas Journal*
 - Volume of gas flared in FL computed from volume of gas flared/vented in FL from EIA and EIIP percentage flared assumption
 - Miles of gathering pipeline
 - FL DEP data
 - Back-cast to 1990 using FL natural gas production from EIA
 - Miles of transmission/distribution pipeline and number of services
 - Office of Pipeline Safety data for gas transmission pipeline mileage
 - FL DEP data for distribution pipeline mileage and number of services
 - Compressor stations – FL Public Service Commission
 - Pipeline fuel use – EIA volume of natural gas consumed in FL pipelines

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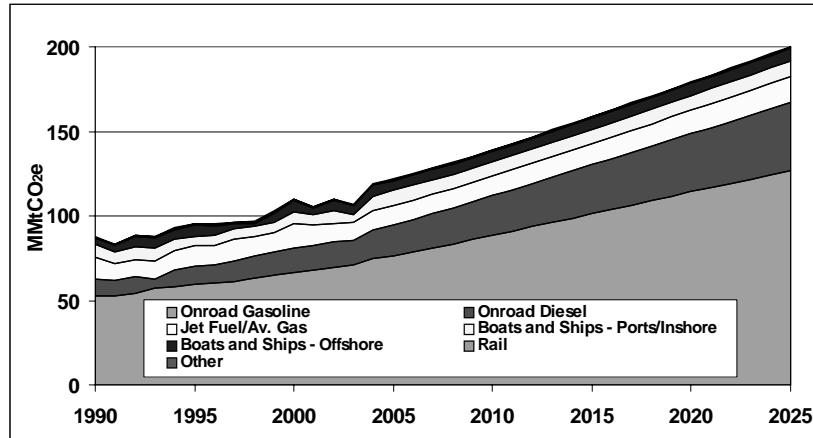
Fossil Fuel Industry

- **Data Sources**
 - Historic Oil (1990-2005)
 - Production – FL DEP data
 - Transport – EIIIP default assumption (volume produced = volume transported)
 - Forecast (2006-2025)
 - Growth rates based on state historical emissions trends and regional *Annual Energy Outlook 2007* projections
- **Methods**
 - Based on EPA State Greenhouse Gas Inventory Tool (SIT)
 - Activity multiplied by emission factors

Fossil Fuel Industry

- **Key Assumptions**
 - For natural gas gathering/transmission/distribution pipelines—surrogates trend with emissions activity
 - Growth rates are process-specific, vary by activity
 - Used state historical trend unless Annual Energy Outlook regional forecast was in-line with historical state trend
- **Key Uncertainties**
 - Current levels of fugitive emissions
 - Based on industry-wide averages
 - Data limitations associated with early years of OPS pipeline data
 - Projections of future production of fossil fuels

Transportation



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Transportation

- Data Sources: Onroad Vehicles
 - US DOE Energy Information Administration (EIA) State Energy Data (SED) fuel consumption for 1990-2005
 - State-level vehicle miles traveled (VMT) from Florida Dept. of Transportation (DOT) for 1990-2005
 - VMT allocated to vehicle type using Federal Highway Administration (FHWA) data on vehicle mix
 - Florida DOT VMT projection; based on linear projection of 2001-2005 historical VMT data

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Transportation

- Data Sources: Other Transportation Sectors
 - Aircraft – EIA SED fuel consumption
 - Aircraft Projection – FL DOT aircraft operation projections for commercial and general aviation and Federal Aviation Administration (FAA) aircraft operations forecasts military aviation
 - Rail and Marine Gasoline – Federal Highway Administration's (FHWA) *Highway Statistics* and EIA's Petroleum Navigator
 - Commercial Marine – EIA national fuel consumption and freight tonnage from Waterborne Commerce Statistics Center
 - Rail/Marine Projection – based on historical growth

Transportation

- Methods
 - Inventory (1990-2005)
 - CO₂
 - State Greenhouse Gas Inventory Tool (SIT) and Fuel Consumption
 - Onroad CH₄ and N₂O
 - SIT and VMT
 - Nonroad CH₄ and N₂O
 - SIT and Fuel Consumption

Transportation

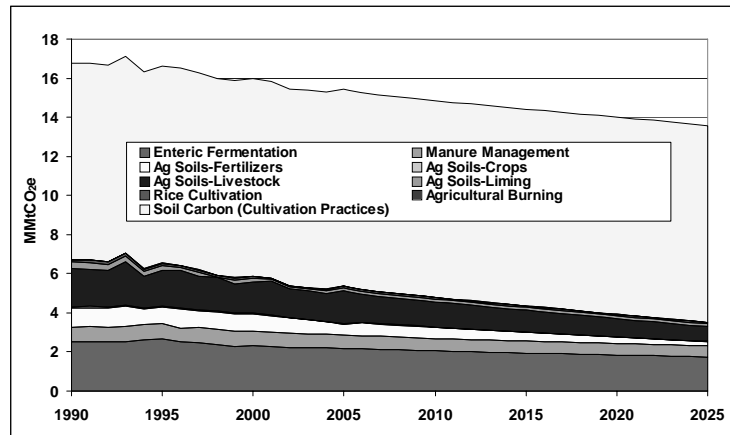
- **Methods for Projections (2006-2025)**
 - Onroad Gasoline and Diesel CO₂
 - VMT forecasts from FL DOT
 - VMT forecasts adjusted to account for projected fuel efficiency improvements from MOBILE6 and differences in fuel growth rates based on data from 2007 EIA Annual Energy Outlook
 - Onroad CH₄ and N₂O
 - VMT projections, as above
 - VMT allocated to vehicle type using 2007 EIA Annual Energy Outlook data
 - Aviation
 - FL DOT and FAA aircraft operations projections
 - Commercial and military operations applied to jet fuel, general aviation applied to aviation gasoline
 - Jet fuel projections adjusted to account for projected fuel efficiency improvements using 2007 EIA Annual Energy Outlook data
 - Marine/rail
 - Historical growth rates used for marine vessels
 - No growth assumed for rail

Transportation

Key Uncertainties

- Future vehicle mix –
 - Based on national fleet turnover assumptions
 - FL DEP awaiting Florida-specific registration data to improve inventory and forecast
 - CA LEV reductions will be revised to incorporate Florida-specific registration data

Agriculture



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Agriculture

- Data Sources

- Crop Production: U.S. Department of Agriculture (USDA) National Agriculture Statistical Service (NASS)
- Livestock: USDA/NASS
- Fertilizer: FL Department of Agriculture and Consumer Services for 1998-2005; default SIT data from Fertilizer Institute for 1990-1997
- Soil Carbon from Cultivation Practices: 1997 USDA estimates

- Methods

- Crops: SIT emission factors and crop production data
- Livestock: SIT emission factors and livestock populations
- Fertilizer: SIT and FL fertilizer consumption
- Dairy cattle population projections based on Food and Agricultural Policy Research Institute (FAPRI) report
- Swine and Broiler populations held constant at 2005 levels
- All other livestock projections estimated based on linear forecasts of 1990-2005 populations
- Projections for other categories based on historical growth trends

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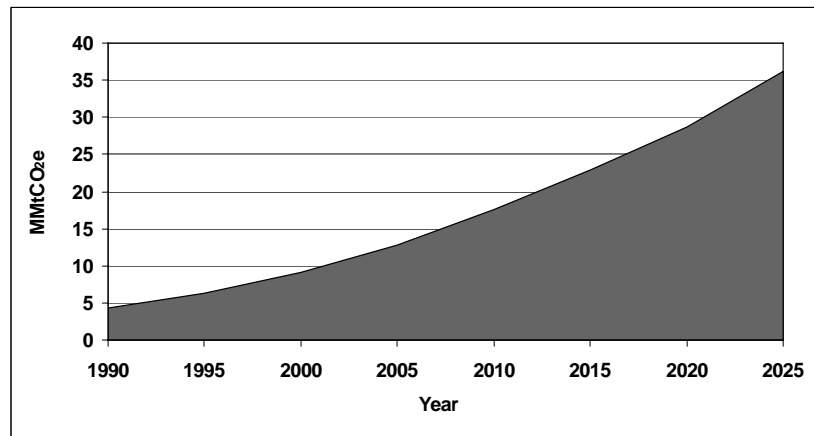
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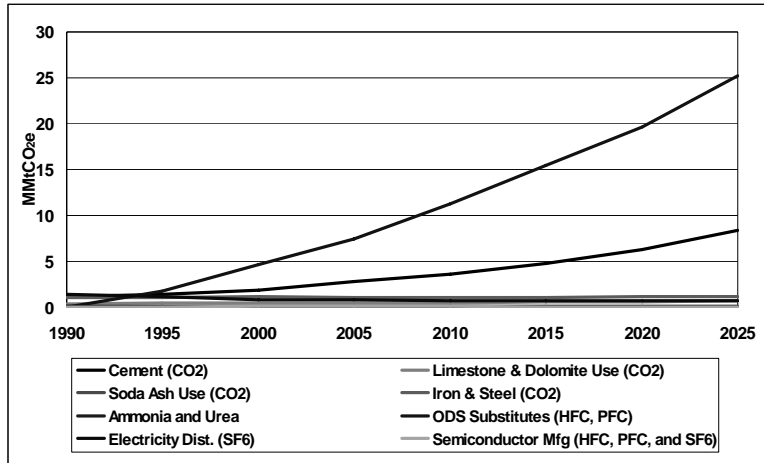
Agriculture

- Key Assumptions
 - Future growth for agricultural soils will follow historical trends
 - Livestock population growth will follow historical trends
- Key Uncertainties
 - Soil carbon from cultivation practices based on one year of data (1997)
 - Manure management emission factors derived from limited data sets
 - Livestock numbers based on point estimates for each year to represent populations that fluctuate throughout the year
 - Projection assumptions

Industrial Process



Industrial Process



Industrial Process

- Data Sources

- Historic

- US EPA National GHG Inventory
 - Substitutes ozone-depleting substances (ODSs), electricity transmission and distribution systems, semiconductor manufacture
 - USGS
 - Cement and clinker production, limestone and dolomite consumption, national soda ash consumption, ammonia production, urea consumption
 - Annual Statistics Report of American Iron and Steel Institute
 - Iron and steel production data

- Forecast (annual growth rates from 2005 to 2025)

- Historic trends
 - Cement manufacture, soda ash consumption, ammonia production, urea consumption,
 - FL employment projections
 - Limestone/dolomite use, iron and steel production
 - US EPA national emissions projections
 - ODS substitutes, electric distribution, semiconductor manufacture

Industrial Process

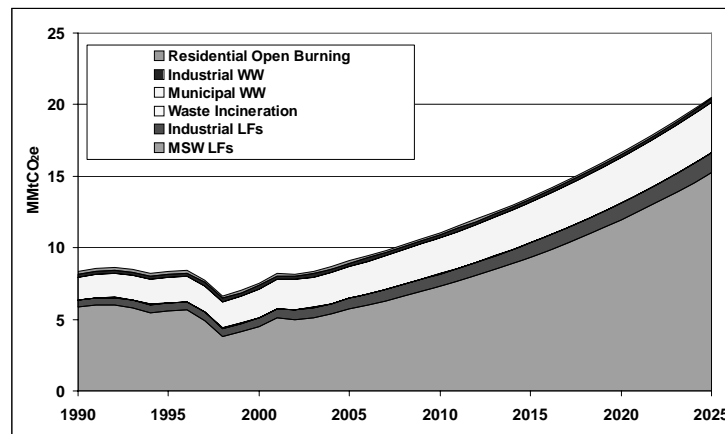
- Methods
 - Based on EPA SIT
- Key Uncertainties
 - Actual production data for estimating historical emissions (instead of EPA default data)
 - Growth rates used to forecast emissions
 - Many processes based on historic trends
 - EPA forecast for large increase in use of HFCs/PFCs in cooling applications
 - Industry activities to reduce GHG emissions

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Waste Management



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Waste Management

- Data Sources
 - SIT default used (population-based)
 - Medical waste quantities incinerated from FL DEP
 - Open burning at rural county residential sites based on EPA's 2002 National Emissions Inventory estimate
 - SIT emissions factors and waste composition used
- Methods
 - SIT with data sources above
 - Default SIT emissions control assumptions for landfills
 - Growth based on historical emissions

Waste Management

- Key Assumptions
 - Growth Rates
 - Landfills – based on historic emissions growth (2000-2005)
 - Industrial solid waste emissions – based on SIT default assumption of 7% of municipal solid waste (MSW) emissions
 - Waste incineration growth rate based on historic data (1995-2005)
 - Industrial and Municipal wastewater – based on historic emissions growth (1990-2005)
- Key Uncertainties
 - Landfill activity based on population—landfill emplacement rates would be preferable
 - Mix of controls at landfills
 - Industrial landfills – SIT default of 7% of municipal landfills

Forestry and Land Use Emissions (MMtCO₂e)

FL Forest Pool	1987-1995 Flux (MMtCO ₂ e)	1995-2005 Flux (MMtCO ₂ e)
Live Tree	3.40	-18.51
Understory	0.26	-0.05
Standing Dead	0.10	-0.03
Down Dead	0.13	-1.38
Forest Floor	0.96	-0.80
Soil Carbon	30.57	-0.92
Harvested Wood Products	-3.89	-3.89
Totals	31.53	-25.42
Totals (excluding soil carbon)	0.96	-24.50

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Forestry and Land Use Emissions (MMtCO₂e)

	1990	2000	2005	2010	2020	2025
Forested Landscape – Sink (excluding soil carbon)	-0.96	-24.50	-24.50	-24.50	-24.50	-24.50
Urban Forestry and Land Use - Sink	-14.45	-5.65	-6.23	-6.23	-6.23	-6.23
Forest Fires - Source	1.35	1.15	0.16	0.16	0.16	0.16
Sector Total	-12.14	-29.00	-30.57	-30.57	-30.57	-30.57

Note: Urban Forestry and Land Use category consists of carbon storage in urban trees, N₂O from settlement soils, and carbon storage in landfilled yard trimmings and food scraps.

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Forestry

- **Data Sources**
 - US Forest Service (USFS) Forest Inventory and Analysis (FIA) data for Florida for 1987, 1995, and 2005
 - USFS also provides modeled estimates for harvested wood products
 - EPA SIT default data for urban forestry and land use
 - Florida Department of Agriculture & Consumer Services acres burned 1990-2005
- **Methods**
 - Forested Landscape: USFS Carbon Calculations Tool (CCT) to estimate carbon stocks and fluxes for 1990-2005
 - Carbon pool data for the 1987-1995 and 1995-2005 time periods were used to quantify carbon fluxes in Florida
 - Urban Forestry and Land Use, Forest fires: EPA SIT
 - Future projections were assumed to remain at 2005 levels

Forestry

- **Key Assumptions**
 - 1990-2005 carbon stock change representative of current and historical conditions
 - No significant change in sequestration from 2006-2025
- **Key Uncertainties**
 - Effects of future development on forested acreage
 - Effects of near-term climate change on forest sequestration levels
 - Methodological differences in USFS FIA surveys
 - Urban forestry and land use emissions rely on national default data instead of state-specific data

Break



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Stepwise Planning Process

1. Develop inventory and forecast of emissions
2. Identify a full range of possible actions
3. Identify initial priorities for analysis
4. Develop straw proposals
5. Quantify GHG reductions and costs/savings
6. Evaluate externalities, feasibility issues
7. Develop alternatives to address barriers
8. Aggregate results
9. Iterate to final agreements
10. Finalize and report recommendations

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Review and Approval of Priorities for Analysis: Overview

- Six TWGs have met by teleconference
- Reviewed the Action Team's approved catalog
- Rated policy options for GHG reduction potential and cost
- Selected proposed priority policy options for consideration by the Action Team

Energy Supply

Proposed Tier 1 Option No.	Proposed Option Name
ES-1	Technology Research & Development with Near-term Commercial Opportunities
ES-2	Technology Research & Development with Longer-term Commercial Opportunities
ES-3	Renewable Energy Incentives and Barrier Removal
ES-4	Electricity Transmission and Distribution Improvements
ES-5	Renewable and/or Environmental Portfolio Standard
ES-6	Promotion of Safe & Environmentally Sound Nuclear Power
ES-7	Integrated resource planning
ES-8	Promotion of Combined Heat and Power Systems
ES-9	Power Plant Efficiency Improvements and Repowering
ES-10	Grace Period for Replacement of Carbon-Intensive Units

Energy Demand

Proposed Tier 1 Option No.	Proposed Option Name
ED-1	Demand-Side Management/Energy Efficiency Programs, Funds, or Goals for Electricity
ED-2	Promotion and Incentives for Improved Design and Construction (e.g., LEED and "beyond LEED" green buildings) in the Private Sector
ED-3	Improved Building Codes for Energy Efficiency
ED-4	Training and Education for Builders and Contractors
ED-5	More Stringent Appliance/Equipment Efficiency Standards
ED-6	Consumer Education Programs
ED-7	Incentives to Promote Implementation of Renewable Energy Systems
ED-8	Energy Efficiency Financing & Alternative Business Models
ED-9	Rate structures and Technologies to Promote Reduced GHG Emissions
ED-10	Demand-Side Management/Energy Efficiency Programs, Funds, or Goals for Natural Gas, Propane, and Fuel Oil

Transportation and Land Use

Proposed Tier 1 Option #	Proposed Option Name
TLU-1	Develop and Expand Low-GHG and Alternative Fuels
TLU-2	Increased Fuel Economy and GHG Emissions Standards for New Vehicles
TLU-3	Smart Growth Planning
TLU-4	Improving Transportation System Management
TLU-5	Increasing Choices in Modes of Transportation
TLU-6	Factoring GHG Emissions into Transportation and Land Use Planning Processes

Agriculture, Forestry, and Waste

Proposed Tier 1 Option #	Proposed Option Name
AFW-1	Forest Retention— Reduced Conversion of Forested to Non-forested Land Uses
AFW-2	Afforestation and/or Restoration of Non-forested Lands
AFW-3	Forest Management for Carbon Sequestration
AFW-4	Land Use Management that Promotes Conversion from Annual Crops to Perennial Cover
AFW-5	Expanded Use of Forestry, Agriculture, and Waste Management Biomass Feedstocks for Electricity, Heat and Steam Production
AFW-6	Soil Carbon Management
AFW-7	Reduce the Rate of Agricultural Land and Open Space Conversion to Development
AFW-8	In-state Liquid/Gaseous Biofuels Production
AFW-9	Promotion of Bioreactor Technology (Advanced Municipal Solid Waste Management Practices)

Between Now and the Next Action Team Meeting. . .

- For each policy approved by the Action Team:
 - Draft straw language for policy option description;
 - Draft straw language for policy option design;
 - Refine and recommend policy option descriptions;
 - Refine and recommend policy option designs.
- Receive first modeling results for cap and trade program design
- Identify adaptation response priorities
- Review TWG-specific Inventory and Forecast data, methods, assumptions, with suggested revisions

Tomorrow's Agenda

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- 8:30 Welcome and Introductions
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- 2:20 Public Input and Announcements
- 2:30 Adjourn

Public Input, Announcements

Adjourn, May 29, 2008.

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

**Governor's Action Team on Energy and
Climate Change
Phase II Process**

Meeting #3, May 29-30, 2008

day two

Today's Agenda

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Government Policy and Coordination

Proposed Tier 1 Option #	Proposed Option Name
GP-1	GHG emissions targets, reporting and accountability measures
GP-2	Public awareness and education
GP-3	Inter-government and inter-sector planning coordination and assistance
GP-4	"Green" business development policies

Adaptation

- Catalogue Framework
 - Major topics on adaptation
- Policy Framing Template
 - How each topic could be analyzed
- Catalogue of Adaptation Actions
 - List of potential adaptation options
- Criteria for Examining Adaptation Options
 - Criteria that could be used to facilitate discussion

Cap and Trade

Proposed Tier 1 Option #	Proposed Option Name
C&T-1	Cap-and-Trade
C&T-4	Carbon Offset Program
C&T-5	National Program Measures
C&T-3	Market Advisory Group
C&T-2	Carbon Tax*

* Carbon Tax conditioned as follows: The TWG wishes to retain this policy not as a stand-alone proposal but as an optional complementary measure in the event the TWG determines that some economic sectors are not suitable for inclusion in the cap-and-trade program, but could be candidates for application of a carbon tax. Any consideration of a carbon tax would also be conditioned on revenue neutrality as a policy design requirement.

Next Steps for Action Team and TWGs

- Quantification Memo
- 2 or more TWG meetings/calls in June
- Draft and propose straw policy option descriptions and designs
- Continue Cap and Trade design and analysis
- Continue adaptation framing, priority development
- Review GHG Inventory and Forecast for Florida

Revised Timing – Action Team Meetings

Date	Location	Action
February 1, 2008	Tallahassee	1 st Action Team meeting
March 17, 2008	Tallahassee	2 nd Action Team meeting
May 29-30, 2008	Tallahassee	3 rd Action Team meeting
July 9-10, 2008	Tallahassee	4 th Action Team meeting
August 6-7, 2008	Orlando	5 th Action Team meeting
August 22, 2008	St. Petersburg	6 th Action Team meeting
September 17-18, 2008	Tallahassee	7 th Action Team Meeting
September 26, 2008	Tallahassee	8 th Action Team Meeting
October 1, 2008		Phase II Final Report due
Between Action Team Meetings		TWG conference calls and meetings

Next Action Team Meeting

- Agenda:
 - Review and Approve Straw Proposed Policy Descriptions and Policy Designs from TWGs
 - Review and Approve TWG suggested updates to the FL GHG Emissions Inventory and Forecast
 - Prepare for quantification of options
- July 9-10, 2008, Tallahassee



Public Comments