



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

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**Cap-and-Trade (C&T)
Technical Work Group (TWG)**

Table 1. Summary List of Recommended Priority Policy Questions

Rulemaking Issue Number	Rules for the C&T Proposal Shall Include:	Key TWG Recommendations
C&T-1	Set a statewide limit or cap on the amount of greenhouse gases (GHG) emitted by major emitters.	<ul style="list-style-type: none"> • What is the geographic scope of the program? • What sectors are covered by the program? • What sources within the covered sectors are included in the program? • What is the term of the program (e.g., starting date, reduction goal date)? • What reductions goal is the program expected to achieve? • What is the electric sector basis for calculating emissions? (Production? Consumption? Other?) • What reporting requirements will be imposed on regulated sources? Will reporting requirements be imposed on non-regulated sources? How much reporting data must be received before the program can begin?
C&T-2	Establish methods, requirements, and conditions for allocating the cap among major emitters.	<ul style="list-style-type: none"> • How should allowances be distributed? (Free based on historical emissions? Free based on benchmarking? Auctioned? Other?)
C&T-3	Establish methods, requirements, and conditions for emissions allowances and the process for issuing emissions allowances.	
C&T-4	Establish the relationship between allowances and the specific amounts of greenhouse gas emissions they represent.	<ul style="list-style-type: none"> • What is the face value of an allowance?
C&T-5	Set the length of allowance periods and the time over which entities must account for emissions and surrender allowances equal to emissions.	<ul style="list-style-type: none"> • What is the length of a compliance period?
C&T-6	Set the timeline of allowances from the initiation of the program through to 2050.	<ul style="list-style-type: none"> • When does the program start? What is the cap for the first year? What is the cap for 2025? What is the cap for 2050?
C&T-7	Establish a process for the trade of allowances between major emitters, including a registry,	<ul style="list-style-type: none"> • The Energy Bill requires all major emitters participate in The Climate Registry (TCR). How does TCR tie into a C&T trading

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	tracking, or accounting system for such trades.	program? How will allowances be tracked from issuance to surrender?
C&T-8	Establish cost containment mechanisms to reduce price and cost risks associated with the electric generation market in Florida.	<ul style="list-style-type: none"> • Should major emitters be permitted to borrow allowances from future time periods to meet their current GHG-compliance obligation? • Should major emitters be permitted to bank allowances in the current year to be used to meet obligations in future years? If so is there a time limit on allowance banking? • Should major emitters be permitted to purchase certified offsets from other entities that produce verifiable reductions in unregulated GHG emissions, or that produce verifiable reductions in GHG emissions, through voluntary practices that capture and store GHG that otherwise would be released into the atmosphere? • Should a safety valve mechanism be established to ensure that the market prices for allowances do not surpass a predetermined level compatible with the affordability of electric utility rates and the well-being of the state's economy?
C&T-9	Establish a process to allow the Florida Department of Environmental Protection (DEP) to exercise its authority to discourage leakage of GHG emissions to neighboring states attributable to the implementation of this program.	<ul style="list-style-type: none"> • Will leakage be addressed in the program design?
C&T-10	Establish a trial period on the trading of allowances before full implementation of a trading system.	<ul style="list-style-type: none"> • Will there be a trial period? If so, for how long? Will allowances issued in the trial period be honored by the program after the trial period?
C&T-11	Position Florida to anticipate and influence the development of a national program.	<ul style="list-style-type: none"> • What actions can Florida take now to maximize the benefits to Florida from the establishment of a national market based program to reduce GHG emissions?

C&T = Cap-and-Trade; TWG = Technical Work Group; GHG = greenhouse gas; DEP = Florida Department of Environmental Protection; TCR = The Climate Registry.

Report of the Cap and Trade Technical Work Group

July 10, 2008

In the third Action Team meeting it was decided that the Cap-and-Trade (C&T) Technical Work Group (TWG) would focus on the C&T policy in an effort to assist the Florida Department of Environmental Protection (DEP) with the legislatively mandated task of designing a C&T

program for the Florida power sector and possibly others. The legislature assigned DEP to address specific program design features through rulemaking. DEP seeks the Action Team's early advice on these design questions prior to the initiation of formal rulemaking.

Table 1 above lists these features in the column titled "Rules for Cap and Trade Proposal Shall Include", and in the "Key TWG Recommendations" column is a list of questions the TWG will attempt to answer by way of advice to the Florida Action Team. TWG proposes that Item C&T-11 be added to the list assigned by the Action Team. The TWG seeks Action Team approval of this addition.

Toward that end, the TWG has received briefings on the Northeast Regional Greenhouse Gas Initiative (RGGI), the Western Climate Initiative (WCI), the European Union (EU) emissions trading program, and a presentation on emissions allowance distribution methods. A briefing on offsets, banking, borrowing, and safety valve mechanisms is scheduled for the next teleconference.

The TWG requested a side-by-side comparison showing the key features of the existing and proposed C&T program features, which has been provided by TWG member Judi Greenwald of the Pew Center for Global Climate Change.

The TWG has requested the technical team to model the effect of Florida joining RGGI, joining the WCI, and a Florida-only program. Preliminary results for the RGGI analysis have been presented to the TWG and will be summarized during the Action Team Phase II meeting on July 10th. Preliminary results of Florida joining the WCI will be presented in their July 18th conference call. When Florida-specific mitigation costs and benefits are available from the analysis of priority policies by the other TWGs, the C&T modeling results will be updated.

The TWG expects to begin formulating recommendations during the July 29th teleconference. The TWG has scheduled a daylong in-person meeting on August 8th, immediately following the Action Team's fifth meeting in Orlando, at which it is hoped the majority of the TWG's recommendations will take shape. Another teleconference call is scheduled for August 15th, at which it is hoped the recommendations will be finalized for presentation to the Action Team in the meeting on August 22nd.