



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

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

*Cap-and-Trade
Technical Work Group (TWG)
Meeting #10
August 8, 2008*

Welcome and Introductions

- Action Team TWG Members
- Florida Department of Environmental Protection
- Members of the Public
- Center for Climate Strategies

Agenda

1. Introductions
2. Purpose and Goals
3. Review and Approval of Call #9 Summary
4. Review Results of Key Question Survey
5. Discuss/Decide Key Design Recommendations – General Agreement by Survey
6. Discuss/Decide Key Design Recommendations – No General Agreement by Survey
7. Discussion of ESD-10 *Grace Period for Replacement of Carbon-Intensive Units*
8. Review of Next Steps
9. Agenda, Date, and Time for Next Meetings
10. Public Comments
11. Announcements

Purpose and Goals

- To develop a comprehensive Energy and Climate Change Action Plan that will fully achieve or surpass Executive Order targets for statewide greenhouse gas reductions specified in Executive Order 07-127, including:
 - guidance on the design of a market-based emissions allowance trading program,
 - design of programs to further enable energy conservation
 - closer examination of emissions reduction opportunities offered by new technologies
 - an examination of revenue impacts of emissions reduction policies within the transportation sector
 - consideration of a low-carbon fuel standard
 - further consideration of the organization of Florida's state government to foster the development of a low-carbon energy market in Florida, and
 - other emissions reductions actions

Technical Work Group Roles

- Assist Climate Action Team
 - Identify full range of potential state actions
 - Identify suggested priorities for analysis
 - Suggest straw policy designs
 - Assist with analysis, development and review of options
 - Assist with development of policy alternatives
 - Assist with input to and review of Action Team reports
 - Review and assist with the state GHG inventory and forecast

Approval of Call #9 Summary

- Review draft meeting summary for Cap-and-Trade TWG meeting #9
- Consider any corrections or additions to meeting summary
- Accept meeting summary with agreed upon changes

Discuss/Decide Key Design Recommendations – General Agreement by Survey

Survey: Sector and source coverage

Q: What sectors of the economy should Florida seek to include in the cap-and-trade program from the start?

A:

13 Electricity sector

7 Transportation fuels

7 Energy extraction, processing and transport

6 Industrial (stationary) sources

5 Residential and commercial fuel use

4 Waste management

3 Forestry

3 Agriculture

Survey: Sector and source coverage

Q: Should there be a de minimis exemption for small sources within the capped sectors?

A:

- 7** Yes, there should be a de minimis exemption but it should vary by sector
- 6** Yes, sources below a standard emissions threshold should be exempt from regulation under the cap-and-trade program
- 3** I am not prepared to answer this question at this time
- 0** No, all sources should be regulated regardless of size

Survey: Allowance value and distribution

Q: What are the four most important purposes to which ‘allowance value’ should be applied? (select up to four)

A:

- 10 Promoting energy efficiency investments
- 8 Mitigating impacts on ratepayers/consumers
- 8 Protecting regulated emitters from competitive disadvantage
- 8 Promoting renewable or non-carbon technologies
- 7 Stimulating or rewarding investment in carbon emissions abatement technologies
- 4 Protecting regulated emitters from economic disadvantage
- 4 Mitigating impacts on low-income or disadvantaged consumers or communities
- 3 Mitigating impacts of climate change, i.e., fund adaptation strategies
- 2 Funding program administration
 - Supplementing general revenues to the state
- 1 Other Maintain financial integrity of regulated sources.
- 1 I am not prepared to answer this question at this time

Survey: Offsets

Q: To what degree should the use of offsets be limited?

A:

- 8** No limits; regulated sources should be able to meet up to 100% of their compliance obligation with certified offsets
- 4** Some limits; regulated sources should be at least partially required to surrender allowances or directly reduce their emissions
- 2** Strict limits; regulated sources should be allowed very limited access to offsets
- 1** No offsets; regulated sources should not be allowed to use offsets

Survey: Allowance price mitigation measures: Banking

Q: To what degree should sources be allowed to ‘bank’ or hold allowances for future sale or use?

A:

- 9** Banking should be allowed without limitation
- 5** Banking should be allowed but banked allowances should be limited either in the quantity or the number of years they may be held
- 1** Banking should not be allowed

Survey: Allowance price mitigation measures: Safety Valve

Q: Should there be an allowance price limit, or ‘safety valve,’ above which allowances will be issued to meet the demand notwithstanding the cap?

A:

- 8** Yes, an allowance price safety valve should be part of the program design
- 4** There should be a mechanism to mitigate high allowance prices based upon a price trigger (such as the RGGI offsets expansion mechanism), but not a price limit that violates the cap
- 2** No, there should not be a price safety valve

Survey: Reporting

Q: What sources should be required to report emissions?

A:

- 9 Regulated sources plus comparable sources in unregulated sectors
- 2 Only sources regulated by the cap and trade program
- 2 Regulated sources plus unregulated sources from the capped sectors (de minimus or exempt sources)

Survey: Regional programs

Q: Assuming modeling supports *all* options, should Florida join a regional program, seek to start a southeastern regional program, or pursue a Florida-only approach?

A:

- 9** Florida should join one or more existing or planned regional program(s)
- 4** Florida should attempt to initiate a new southeastern regional cap-and-trade program
- 1** I am not prepared to answer this question at this time
- 0** Florida should create a one-state, Florida-only program

Discuss/Decide Key Design Recommendations – No General Agreement by Survey

Survey: Goals and Caps

Q: What emissions reduction goal (cap-and-trade “cap”) should the program achieve?

A:

- 7** A goal consistent with a regional cap-and-trade program design (RGGI, WCI, etc.) as needed for Florida to participate in that regional program
- 5** The Florida economy-wide goal set by Governor Crist
- 3** I am not prepared to answer this question at this time
- 1** A new goal, different from the one set by Governor Crist but supportive of it

Survey: Sector and source coverage

Q: What sectors of the economy should Florida seek to phase-in to the cap-and-trade program over time?

A:

- 5 Residential and commercial fuel use
- 4 Industrial (stationary) sources
- 4 Transportation fuels
- 4 Agriculture
- 4 Forestry
- 4 Waste management
- 4 Energy extraction, processing and transport
- 3 I am not prepared to answer this question at this time
- 2 None
- 1 Electricity sector

Survey: Allowance value and distribution

Q: How should allowances be distributed?

A:

- 4 Free of charge directly to regulated sources according to a formula based upon historical emissions, benchmarking or some other basis
- 3 Through a mix of free allocation and auction so that their value supports the purposes selected above
- 3 Through a mix of free allocation and auction that changes over time
- 2 Through an auction, with the state using the revenue for the purposes selected above
- 2 I am not prepared to answer this question at this time
- 1 Through a mix of free allocation and auction that varies based upon sector
- 1 Other
- 0 Free of charge to sources or non-regulated entities so that the allowance value supports the purposes selected above

Survey: Offsets

Q: What is the most important function offsets should serve in the Florida program?

A:

- 9 Mitigate allowance prices
- 8 Create a market for innovative mitigation and sequestration projects
- 3 Encourage emissions reductions outside the capped sectors
- 2 None; the Florida program should not allow the use of offsets

Survey: Allowance price mitigation measures: Borrowing

Q: To what degree should sources be allowed to ‘borrow’ or use allowances that will be issued for future compliance periods to meet current obligations?

A:

- 5 Borrowing should be allowed without limitation
- 4 Borrowing should be allowed but borrowed allowances should be limited either in the quantity or the number of years into the future from which they can be drawn
- 3 Borrowing should be allowed ‘with interest’, meaning the use of 1 ‘future’ allowance today will require the surrender of more than 1 allowance (interest) in the future
- 2 Borrowing should not be allowed
- 1 I am not prepared to answer this question at this time

Survey: Leakage

Q: How should ‘leakage,’ or creating an unintended incentive for increasing imports of unregulated electricity from non-participating states, be addressed?

A:

- 6** Through program design, regulate emissions from both Florida-generated electricity and electricity consumed in Florida but imported from out of state
- 6** Leakage does not need to be addressed through initial program design but it should be monitored and reconsidered if it proves to be a problem
- 1** Leakage does not need to be addressed or monitored
- 1** I am not prepared to answer this question at this time

Survey: Trial period

Q: Should the Florida program include a learning phase or trial period at the beginning?

A:

- 6** Yes, the state and regulated sources need a period of several years to try out the system before binding compliance obligations begin
- 6** Binding compliance obligations should commence with the start of the program for first phase sectors, but special rules should apply for the first few years to allow greater flexibility through the transition
- 3** No, the program should commence without a trial period or less stringent transitional rules

Survey: Federal program

- Discussion

ESD-10 Referred from Action Team

ESD-10. Grace Period for Replacement of Carbon-Intensive Units

Policy Description

This policy consists of a 'grace period' of a number of years during which time existing fossil fuel-fired units that are scheduled to be shut-down and replaced by units with little or no greenhouse gas emissions are exempted from new CO₂ emission requirements or penalties.

Policy Design

A grace period of up to 5 years where coal or gas units slated to be replaced by nuclear generation or renewable generation are exempted from any CO₂ tax or penalty up to either the shut-down date of the existing unit or the operational date of the replacement unit, whichever is earlier.

Goals: Not quantifiable

Next Steps

- Next TWG Meeting
 - Review/Revise/Approve draft text of Key Recommendations
 - Continue work on remaining unresolved recommendations
 - Receive/review updated modeling runs with Florida-specific data

Next Action Team Meeting

- Agenda:
 - Review new/enhanced quantification
 - Approve completed policies
 - Identify remaining barriers to consensus
 - Review updated Inventory and Forecast
 - Receive cap-and-trade program design recommendations
- August 22, 2008, St. Petersburg



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	6th 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 TWG Meetings

- All times 2:00 pm – 4:00 pm EDT unless otherwise noted
- *Friday August 15, 2008*
- *Tuesday August 26, 2008*



Public Input, Announcements