



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

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DRAFT MEETING SUMMARY
Cap-and-Trade
Technical Work Group Meeting #11
August 15, 2008

Action Team Members and TWG Appointees Attending:

Greg Munson WRScompass	John Cahill Chadbourne & Park LLP	Randy LaBauve for Armando Olivera Florida Power & Light
Jim Vick Southern Company	Kathy Viehe Gainesville Regional Utilities	Terry Murphy Miami-Dade County Commission
Jerry Karnas Environmental Defense	Debbie Harrison World Wildlife Fund	Julie Harrington Florida State University
Michael Kennedy Progress Energy Florida	Laura Crouch Tampa Electric Company	Robert Reedy Florida Solar Energy Research Center
Robert Kaufman Georgia-Pacific		

Governor’s Energy Office: Brenda Buchan, Matt Stamatoff

Department of Environmental Protection: Julie Ferris

Public Service Commission: Devlin Higgins

Center for Climate Strategies (CCS): Jeff Wennberg

Members of the Public: Bob Krasowski (Florida Alliance for a Clean Environment), Paul Messerschmidt (Grace Financial), Susan Fernandez (Consensus Communications, Inc.), Barry Moline (Municipal Electric Utilities), George Cavros (National Defense Council), and Katie Travis (CDM Environmental Consulting on behalf of Reliant)

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1. Introductions—Jeff Wennberg from CCS introduced himself and called roll for the members of the Cap-and-Trade Technical Work Group (TWG). The members of the public were asked to introduce themselves and identify their affiliation. Thirteen TWG members and 6 members of the public either were in attendance or identified themselves over the phone.
 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.

In the meeting today, we will discuss the Cap-and-Trade draft policy options document.

3. Review and Approval of the Call #10 Summary—There was a request that we start out with the C&T draft options document and come back to this summary at the end. Later, we decided to vote on the minutes at a future meeting.
4. Review and Discussion of Staff Draft Policy Option C&T-1—The focus of this meeting was to discuss the big concepts and save the wordsmithing to a later date. *There was a question about when we’ll get the modeling results.* Those numbers will be presented before the September 17–18 full Action Team meeting.

We reviewed the document by sectional headings. The Policy Description was accepted.

Under Policy Design–Section Coverage, it was requested that transportation be linked to residential fuel usage in consideration of upstream capture. Also, we need to include cost-effectiveness in factors to be considered. Under the Regional Programs, Jeff suggested the TWG may wish to include a recommendation that Florida join the Regional Greenhouse Gas Initiative (RGGI) and/or the Western Climate Initiative (WCI) in an observer status. There was support for this recommendation. Under the WCI statement, there was a request to modify the language to say Florida may benefit (instead of will benefit) since the design is still under development. In contrast, RGGI is designed. We will insert a sentence explaining that WCI is still under development. These two paragraphs need to mention that RGGI is just electric sector and WCI goes beyond this to include most sectors. **There was agreement that we should make a strong statement that Florida should seek observer status as**

soon as possible. There needs to be two or three sentences at the bottom line on how Florida would benefit by joining RGGI or WCI. There will be a 15- or 20-page attachment that will be joined to this option statement that includes all the modeling. In the section on encouraging other southern states to join with us, we should mention that it will help to take the issue of leakage off the table. To the extent that leakage is a problem, forming a climate initiative with other Southern states would address that problem.

There were no comments under the Cap and Goals section.

Under Flexibility and Cost Containment, there was a request to strike the last sentence in the Offsets paragraph.

Under Safety Valve, restate the last sentence to include mechanisms (plural).

No change to Banking or Borrowing.

Under Allowance Distribution, there was no consensus, so it was written more carefully to convey clearly and reasonably why each side of the issue feels strongly. **There was a request to add language to our recommendation to have DEP review Florida's participation in a cap-and-trade program every 3 years to make sure it is working properly.** Also, the list of goals should include the list voted on in the survey of the top five. Some discussion was held that all should be concluded and others believe it should only be limited to protecting ratepayers. It was suggested that the survey results be provided in a paragraph below all the other items to indicate that there may be other equally important measures to be funded in the process. It was requested to include the discussion from the last meeting on how many economists support auctions as the most efficient method of allocating allowances.

Under Reporting, it was requested that there should be a de minimis reporting cutoff. The reporting process should be as broad as possible; a de minimis cutoff may be needed, given the cost-effectiveness from the reporting source.

Under Leakage, it was requested that imported power be included in the baseline and that the tone should be revised such that it is neutral or stresses that if the issue is moved down the road, it should be examined by the Florida Department of Environmental Protection (DEP). It was clarified that we are talking about electric utility to electric utility. This issue should be evaluated and studied by DEP in rulemaking and reflect the two perspectives heard here to provide the context for the Action Team.

Under Implementation Mechanisms, it was suggested that we needed to add context that discusses the hardship of going solo and the benefits to Florida of joining a regional initiative as an observer where we can learn from the existing initiative and take advantage of economies of scale.

5. Discussion of Trial Period Recommendation—We did not get to this issue.
6. Discussion of ESD-10, Grace Period for Replacement of Carbon-Intensive Units—Time did not permit us to get to this issue.

7. Review of Next Steps—After the August 15 meeting, we only have one call left. We will address ESD-10 at the beginning of the next meeting. Jeff asked if someone would please frame up for the next meeting what they think we should do with regard to positioning Florida for a federal program.
8. Agenda, Date, and Time for Next Meetings—The next full meeting of the Action Team will be Friday, August 22, in St. Petersburg, Florida. The next scheduled teleconference meeting of the Cap-and-Trade TWG will be August 26, from 2 p.m. to 4 p.m.
9. Public Comments—George Cavros stated that on page 3, third paragraph, it states that Florida could not join RGGI until 2012 due to their 3-year compliance cycle, whereas he believes Florida can join RGGI as an observer at any time, but it may or may not be able to begin participating in the middle of a compliance period. We will change the language to be more accurate. It is a WCI parameter to not join in the middle of a compliance cycle, but may not be an RGGI one.
10. Announcements –The meeting ended at 4:00 p.m.