

**KEC Greenhouse Gas Policy Committee
Meeting Notes, April 9, 2008**

KEC MGA Committee Members Attending: Bruce Snead, Committee Chair, Rex Buchanan, Dave Dayvault, Joe Dick, Ken Frahm, Mike Kelley, Galen Menard, Hans Nettelblad, Adrian Polansky, Curt Wright

KEC Staff: Liz Brosius, KEC Director; Jennifer Knorr, Lt. Governor and Governor's Office, Energy Coordinator; Ray Hammarlund, KCC Energy Programs Division, Director.

Opening Remarks

Bruce Snead welcomed the group and asked the committee and guests to introduce themselves. He asked if there were any questions about the change in committee name (from MGA to GHG Policy) and focus, which had been discussed via email since the last meeting. Snead read out loud the objectives suggested in the email discussion:

- 1) Examine and discuss the policy options available for controlling GHG emissions, using last year's staff review as a starting point.
 - a. Schedule presentations on GHG tax and cap-and-trade policies as well as current proposals under consideration by Congress.
 - b. Develop background information, using November 16, 2007 draft prepared by staff as starting point.

- 2) Examine and discuss the appropriate scope—from global to local—of various policy approaches and determine whether state-level action is appropriate
 - a. Develop list of state-level policy actions for consideration by full Council.
 - b. Include evaluation of costs and benefits of any state-level actions.

Rex Buchanan suggested that we spell out “Greenhouse Gas” in the committee name, and Liz Brosius said she would make the change. Snead circulated a glossary of terms and chart of abatement measures from the McKinsey report, *Reducing U.S. Greenhouse Gas Emissions: How much at what cost?*

Update on MGA working groups and committee activities, with summary of regional GHG initiatives

Ray Hammarlund gave a PowerPoint presentation on the Midwestern Climate Accord and cap-and-trade approach and on the Regional Greenhouse Gas Initiative (RGGI) and the Western Climate Initiative (WCI). [These presentations are available on the KEC web site (<http://kec.kansas.gov/mga/index.htm>), under the April 9, 2008, meeting heading.] He listed the Kansas members on the Midwestern Climate Accord subcommittees and the schedule of meetings and outcomes. More information about the accord is available online (<http://www.midwesternaccord.org/default.htm>).

Lt. Governor Mark Parkinson asked whether emissions would be capped at current levels initially? Hammarlund said there are lots of different proposals, and that it's difficult to set the cap at just the right level (in fact, we probably won't set it at the right level, at least initially).

Galen Menard said there's concern, from the refinery perspective, about whether projects under construction will be granted permits. Hammarlund agreed that was one of many sticking points. Menard noted that Texas isn't part of any regional initiative and is currently building lots of refineries.

Hans Nettelblad asks if federal regulations will be tailored to fit different regions since it seems like a blanket approach wouldn't work?

Audience member Paul Snider, KCPL, asked about the MGA Platform, and Hammarlund clarified the different components of the Energy Security and Climate Stewardship Platform. He noted that Jim Ludwig (Westar), Rex Buchanan (Kansas Geological Survey), Greg Krissek (ICM), and Corey Mohn, Commerce, were the Kansas members of the various platform working groups. Snider also asked whether the regional cap-and-trade proposal adopted by the MGA would then require legislative action, and several people responded that they thought it would.

Ken Frahm noted that the difficulties of designing the regional cap-and-trade probably reflect the difficulties at the state level. He asked whether the MGA effort wasn't really a dress rehearsal for how the federal regulation might be shaped? Parkinson said that all three potential presidential candidates have endorsed some form of cap-and-trade regulation and that it doesn't make sense to enact such policies at the state level and put the state at an economic disadvantage. Nevertheless, it's important for Kansas to be part of the MGA discussion. He said he wasn't sure it was a dress rehearsal, but it was an exercise to position Kansas to influence federal policy.

Snead asked whether it was a problem that Kansas didn't have representatives on all the MGA working groups. Hammarlund explained that each state was limited on how many representatives it could have.

Buchanan noted that geologic sequestration wasn't on the presentation's list of offsets, and Hammarlund said it was part of the MGA discussion.

Summary of proposed federal GHG legislation

Jennifer Knorr provided a comparison of the main components of the two cap-and-trade bills thought to have the most support in Congress: Lieberman-Warner Climate Security Act of 2008 and Bingaman-Specter Low Carbon Economy Act. [This presentation is available on the KEC web site (<http://kec.kansas.gov/mga/index.htm>), under the April 9, 2008, meeting heading.]

Parkinson asked for clarification of upstream versus downstream. Hammarlund explained that upstream would require importers or suppliers of fossil fuels to acquire allowances to

cover the carbon in the products they sell. Downstream refers to entities that are direct emitters of GHG.

Questions about energy efficiency and renewable energy were discussed. Lieberman-Warner incorporates the strengthened energy efficiency standards that the House passed this summer as part of its energy bill.

Curt Wright asked whether transportation fuels were included in either proposed regulations. Mike Kelley said the trucking industry was really concerned about having a patchwork of state policies.

Overview of policy options to reduce GHG emissions

Brosius gave a presentation on the three main policy approaches to limiting GHG emissions: tax, cap-and-trade, and hybrid cap-and-trade, focusing on the relative economic efficiency of the different policies. She noted that the substance of the presentation was drawn a recent Congressional Budget Office report, pre-publication version of Yale economist William Nordhaus's A Question of Balance, and from the review of GHG policy and economics compiled by KEC staff last summer. [This presentation is available on the KEC web site (<http://kec.kansas.gov/mga/index.htm>), under the April 9, 2008, meeting heading.]

Climate change and GHG policy opinion poll

A short opinion poll was circulated to the committee members present. Snead explained that staff had developed this poll as a way to gauge range of opinion and facilitate more open discussion of the issues as well as the committee's objectives going forward. Brosius agreed and emphasized that this was not intended as a conclusive statement of the committee's official position. She also noted that the poll would be sent to the three committee members not at the meeting.

Discussion of poll results

Following the break, Brosius summarized the poll results as follows:

1. Global warming is occurring. (10 agree, 1 disagree)
2. Global warming is entirely the result of human activities. (5 agree, 6 disagree)
3. Global warming is entirely the result of natural processes. (0 agree, 10 disagree, 1 unknown)
4. Global warming is the result of both human activities and natural processes. (9 agree, 1 disagree, 1 unknown)
5. Some uncertainty surrounds the causes of global warming. (7 agree, 4 disagree)
6. Some uncertainty surrounds the potential damages resulting from global warming. (11 agree, 0 disagree)
7. Global warming is a problem of global scope, requiring a collective, international effort. (11 agree, 0 disagree)
8. U.S. policymakers should implement national GHG regulation. (8 agree, 3 disagree)
9. To show leadership, Kansas policymakers should implement state-level GHG regulation. (3 agree, 8 disagree)
10. Kansas policymakers should not implement state-level GHG regulation. (7 agree, 4 disagree)

Nettelblad noted that it was odd that there was almost full agreement that global warming was occurring, but not on how to address.

Parkinson said he interpreted “regulation” in the last two questions broadly—he assumed it referred to any kind of state-level policy—and said although he thinks Kansas should not implement cap-and-trade policy or GHG taxes unilaterally, the state should take other actions to limit GHG emissions. He said Kansas was in a challenging situation regarding the expected federal regulation and needed to identify specific items that would be advantageous to the state.

Brosius clarified that she had used “regulation” in numbers 9 and 10 to mean either tax or cap-and-trade policies. General discussion followed in which support was voiced for consideration of other kinds of policies that might be appropriate for the state to implement.

Dave Dayvault commented that free allocation of permits in a cap-and-trade would be a competitive disadvantage to new businesses and industries.

Discussion of revised committee objectives, work plan

Snead asked the committee to discuss where they wanted to go from here, and Brosius presented some draft objectives as a starting point for the discussion.

Buchanan asked about the new Kansas advisory group, established by the Governor’s recent executive order, and wondered how this group (KEEP) overlaps with the KEC? Parkinson acknowledged there was some overlap given the similar focus of the current KEC committees on electric generation and GHG emissions, but that KEEP was designed to go through a process of reviewing a whole range of policy options. [Staff passes out list of policy options used by the Center for Climate Strategies (CCS) and copy of Executive Order 08-03.] Parkinson said the KEC and its committees were still relevant, that they would be considering policy recommendations this year, while KEEP would not complete its process until the end of 2009. Dayvault asked what the role of CCS would be with the KEEP advisory group, noting that they had declined to work with the KEC on a more limited basis last year. Parkinson said CCS will run the KEEP advisory group.

The committee agreed on the following objectives:

1. Increase understanding of various policy approaches for controlling Greenhouse Gas (GHG) emissions at the state, regional, national, and international level as well as their relative strengths and weaknesses in terms of economic efficiency, political feasibility
 - a. Receive regular updates on Midwestern Climate Accord and other regional initiatives.
 - b. Develop background information for possible inclusion in *Kansas Energy Report*.

2. Discuss (debate) appropriate role for Kansas with respect to controlling GHG emissions and national (international) GHG policy.
 - a. Receive regular updates on new Kansas advisory group (KEEP).
 - b. Develop state-level policy options for consideration by full Council.
 - i. Start with top ten list developed by special committee last year during review of CCS proposal; develop list of policy options that make sense at state level
 - ii. Identify promising research trends, funding needs in Kansas
 1. bring together a group of researchers to begin discussion
 2. presentation to committee or KEC
 - iii. Revisit draft recommendations tabled last year; develop list of considerations that are important to Kansas with respect to design of national regulation (e.g., permit allocation, use of revenue, inclusion of offsets, upstream/downstream targeting and question of price signals)
 1. include inventory of perceived advantages and disadvantages to the state
 - iv. Engage, as needed, outside consultants to do cost-benefit analysis.

Snead noted that he believes there are things policymakers can do to bring energy and GHG emissions benefits to Kansas. He also said he thought the handout he circulated from the McKinsey report might serve as source of cost-benefit information. Brosius and Hammarlund said that they would work with other KEC staff (as well as Kansas representatives to the MGA working groups) to pull together the background information and analysis necessary to evaluate whatever policy options the committee selects as their main priorities. If needed, they would contract for necessary expertise to do cost-benefit or other analysis.

Menard asked whether the nuclear option was something the committee needed to consider. Hammarlund noted that the KCC had recently held a nuclear roundtable; Brosius said that was one of the options discussed at the last Electricity Committee meeting; it was agreed that there was considerable overlap and connection between the topics considered by the Electricity Committee and Greenhouse Gas Policy Committee.

In response to a question, Brosius noted that the next full KEC meeting is June 10th. Frahm said that, regarding the full Council, he thought it was possible that some members may feel that the KEC has been effectively replaced by the new advisory group (KEEP). Frahm affirmed that Parkinson has given a good explanation of how he sees coordination between KEEP and KEC and the respective roles of the two groups. Frahm asked that if KEC members have hard feelings with regard to this issue that they discuss them with staff or either of the Co-Chairs. He articulated a desire to avoid this being an unaddressed issue clouding the operation of KEC.

The next Greenhouse Gas Policy Committee meeting is May 13th.

Snead adjourned the meeting at noon.

