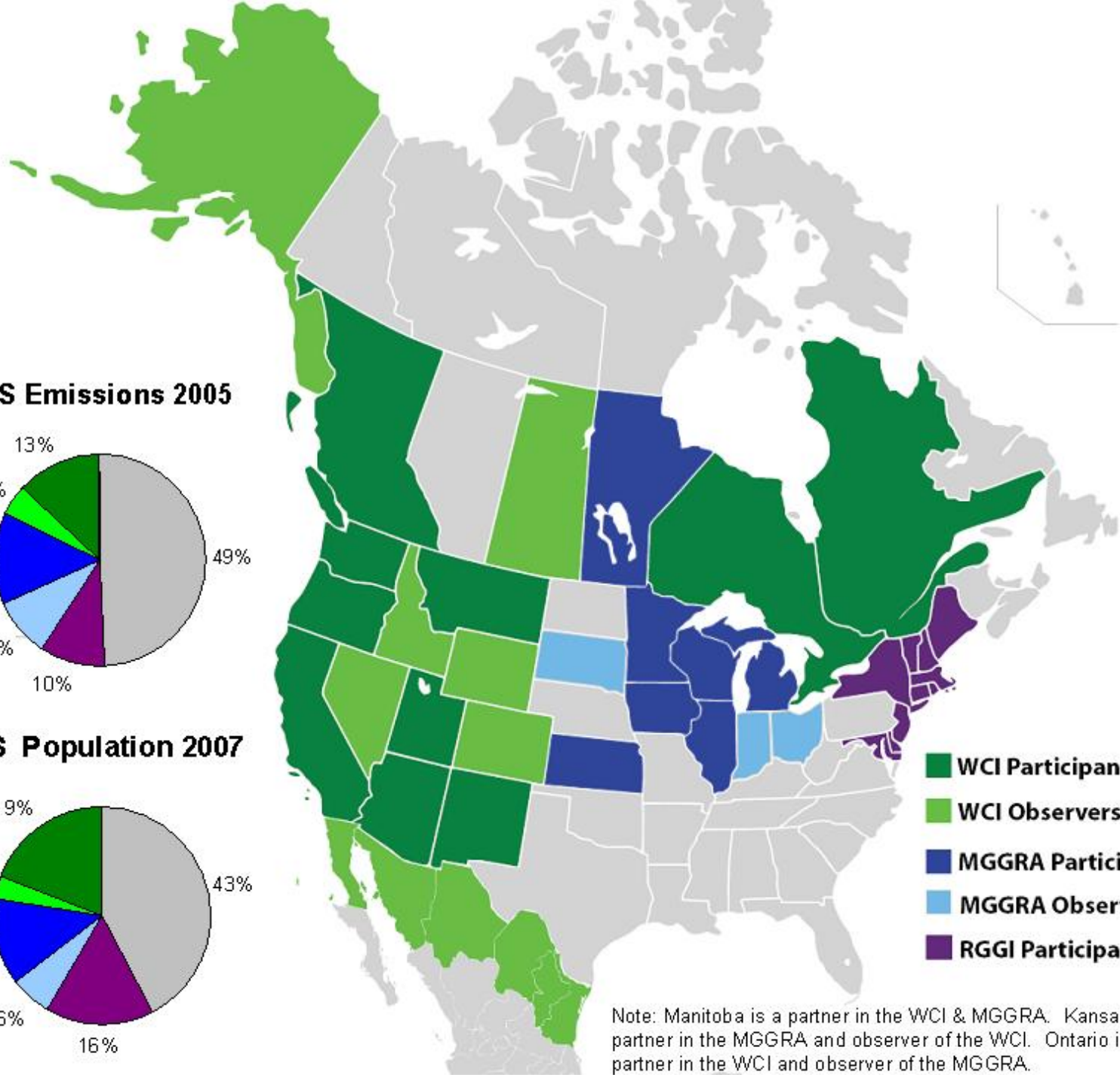




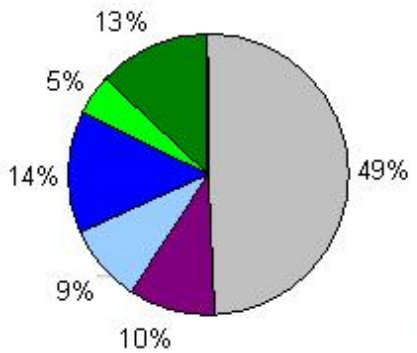
Midwestern Greenhouse Gas Reduction Accord

Nicholas Bianco
World Resources Institute

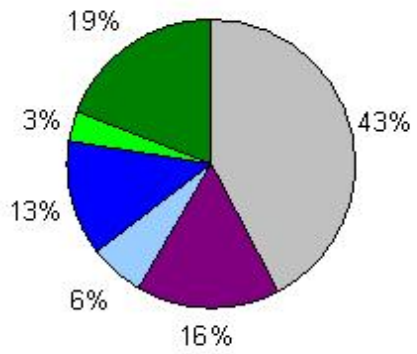
October 28, 2009



US Emissions 2005



US Population 2007



- WCI Participants
- WCI Observers
- MGGRA Participants
- MGGRA Observers
- RGGI Participants

Note: Manitoba is a partner in the WCI & MGGRA. Kansas is a partner in the MGGRA and observer of the WCI. Ontario is a partner in the WCI and observer of the MGGRA.

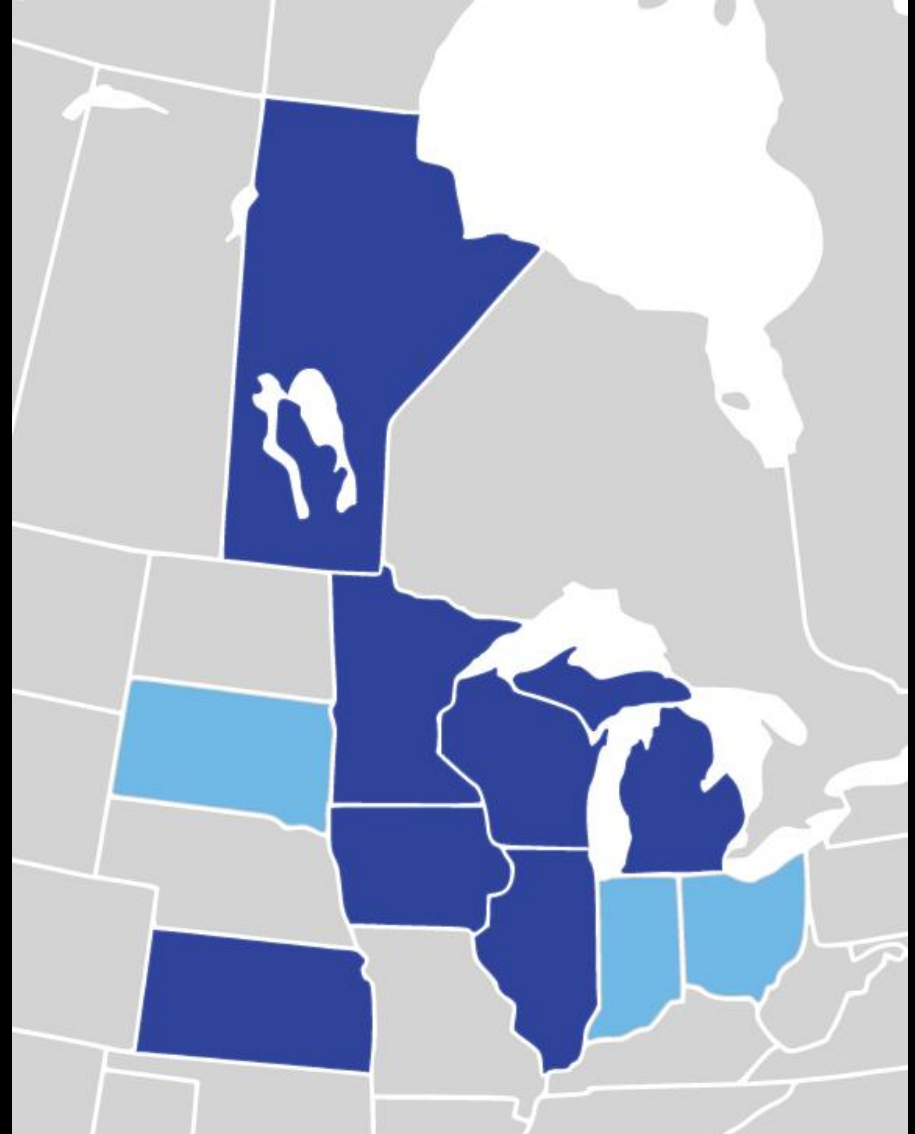
Midwestern Greenhouse Gas Reduction Accord

Participants:

Illinois
Iowa
Kansas
Manitoba
Michigan
Minnesota
Missouri
Wisconsin

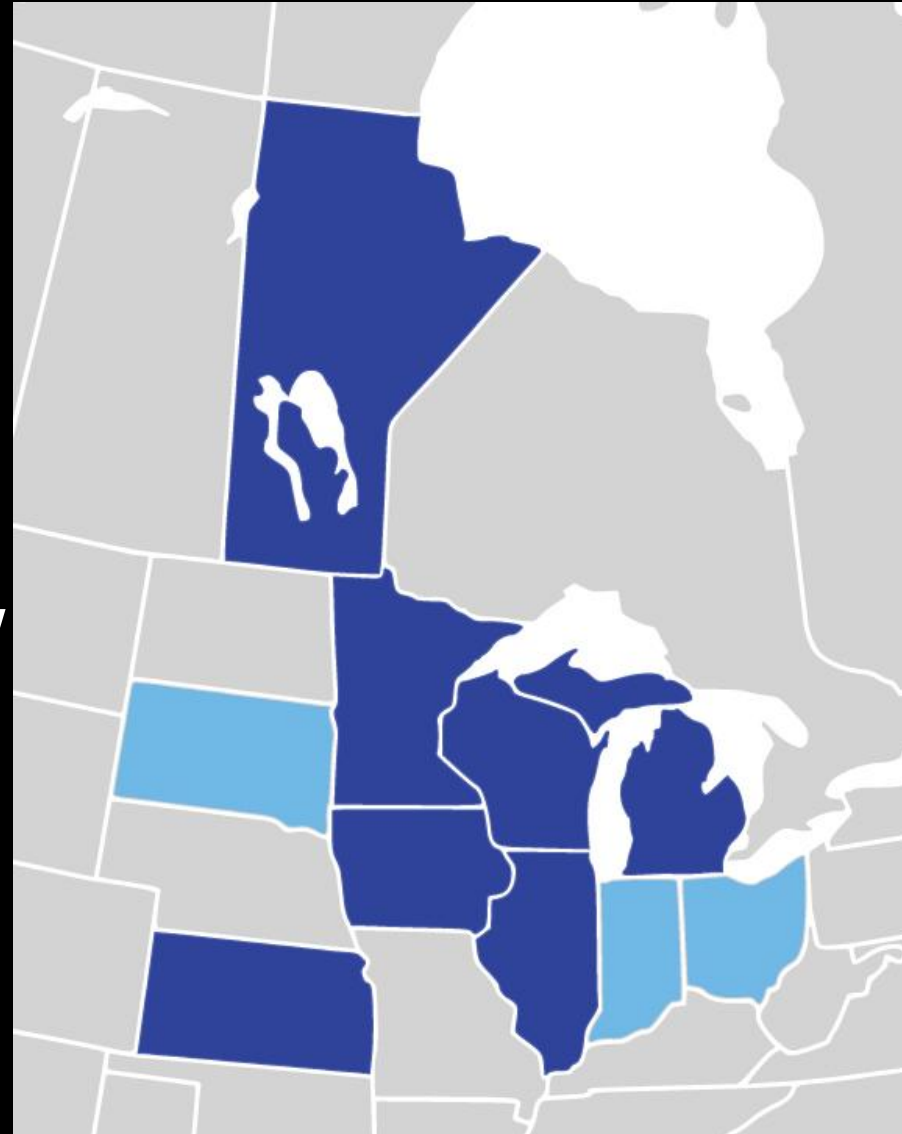
Observers:

Indiana
Ohio
Ontario
South Dakota



Midwestern Greenhouse Gas Reduction Accord

- November 2007 – Jurisdictions agreed to establish multi-sector cap-and-trade program
- June 2009 – Draft Final Design Recommendations
- October 2009 – Draft Model Rule for Advisory Group Review
- Ongoing – Macroeconomic Modeling
- January 2012 – Program commencement



Accord Stakeholders

- 3M
- Alcoa Inc.
- Archer Daniels Midland Company
- BP America
- Clean Wisconsin
- CMS
- ConocoPhillips
- Core Energy
- Energy Development Initiative
- Environment Illinois
- Environment Ohio
- Illinois AFL-CIO
- Iowa Farm Bureau
- Izaak Walton League of America
- Kansas State University
- Kansas Corporation Commission
- Manitoba Hydro
- Manitoba Science, Technology, Energy and Mines
- Michigan Dept. of Environmental Quality
- Midwest Generation LLC
- Minnesota Chamber of Commerce
- Missouri River Energy Services
- National Wildlife Federation
- NewPage Corporation
- North Dakota Dept. of Agriculture
- North Dakota Farmers Union
- NRDC Midwest Program
- NSP-Minnesota
- Office of Gov. Quinn
- Office of Gov. Pawlenty
- Office of Gov. Daniels
- South Dakota Dept. of Environment and Natural Resources
- State of Wisconsin Dept. of Natural Resources
- The Dow Chemical Company
- The Land Institute
- The University of Iowa
- Western Michigan University
- Wisconsin Public Power Inc.

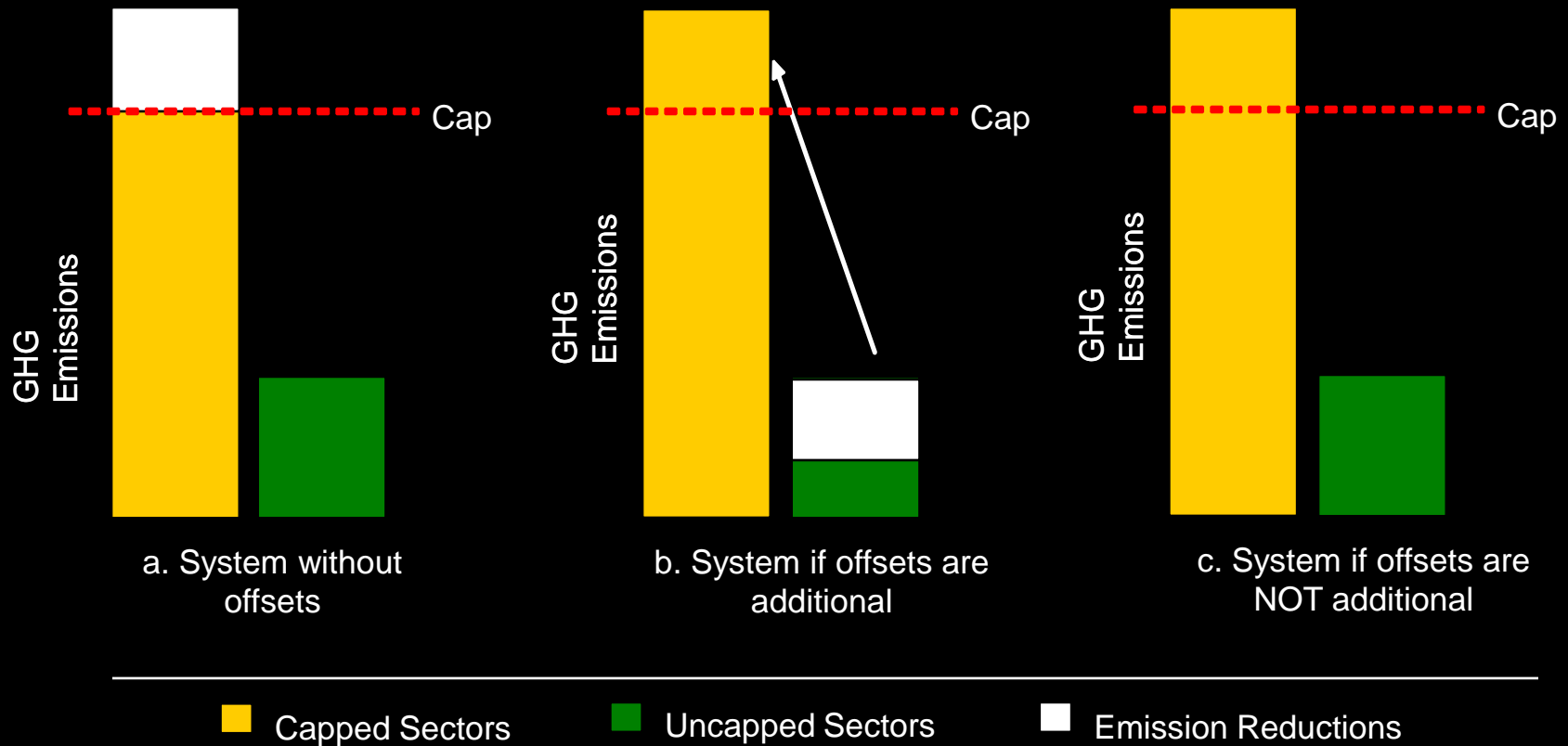
A background image showing a row of wind turbines silhouetted against a warm, orange sunset sky. The turbines are spaced out across the horizon.

Core Design Elements

- Emission reduction targets
 - 20% below 2005 levels by 2020
 - 80% below 2005 levels by 2050
- Scope
 - Electricity generation and imports
 - Industrial combustion and select process emissions
 - Fuels serving residential, commercial and industrial buildings
 - Transportation fuels
- Offsets
 - Up to 20% of compliance obligation

Offset Quality

- Offsets are created in addition to the cap and therefore must be real, additional, verifiable, permanent, and enforceable



A background image showing a row of wind turbines silhouetted against a warm, orange sunset sky. The turbines are spaced out across the horizon, creating a sense of depth and scale.

RGGI & WCI parallels

- Temporal flexibility
 - 3 year compliance period
 - Early reduction allowances
 - Unlimited banking
- Importance of complementary policies (EE & RE)
- Standards-based offsets
- Use of auctions

A background image showing a row of wind turbines silhouetted against a warm, orange sunset sky. The turbines are spaced out across the horizon, with some appearing closer and larger than others.

Unique Midwestern Parameters

- “Limited” borrowing of allowances - 2 years
- Allowance value directed towards:
 - Transformational investment in technology and infrastructure
 - Cost mitigation
 - Adaptation
- Formal process to add offset categories
- Cost containment

Triggers

Second High Allowance Price Threshold

Allowances released from cost containment pool

First High Allowance Price Threshold

May expand allowance borrowing , or reduce offset limits

Desired Trading Price Range for Allowance Prices

First Low Allowance Price Threshold

May curtail allowance borrowing or tighten offset limits

Second Low Allowance Price Threshold

Withdraw allowances from the market place

Allowance Distribution: Recommendations

- Auction (~1/3 total allowances)
 - 100% transportation
 - 100% merchant generators
 - 10% electric sector
 - 5% industrial sector
 - Shift to full auction over time
- Remaining allowances sold at modest fee
- Note: Jurisdictions have considerable flexibility in allocation metrics

A background image showing a row of wind turbines silhouetted against a warm, orange and red sunset sky.

Kerry Boxer (Chairman's Mark)

In the development of any regulations required to implement the global warming pollution and reduction investment program pursuant to this title, and in the implementation of that program, the Administrator shall consult with the States in the Regional Greenhouse Gas Initiative, the Western Climate Initiative, and the Midwest Governors Accord

Thank you.

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202-729-7715

Midwestern Greenhouse Gas Reduction Accord
<http://midwesternaccord.org/>

Comparison of 3 regional programs
http://pdf.wri.org/factsheets/factsheet_regional_cap_and_trade.pdf

Note: Turbine photo by Flickr/Aaron Landry