

Midwestern Governor's Association Greenhouse Gas Accord

Left unchecked, climate change could threaten the stability of our environment and economy. Luckily, with our abundance of renewable resources the Midwest is uniquely situated to minimize the consequences of global warming while creating jobs and building a clean energy economy. Developing market-based programs to reduce global warming emissions can create jobs in the manufacturing, agriculture, forestry and construction industries. Implementing policies that reduce global warming emissions by investing in energy efficiency and renewable energy provides a clear path to revitalizing the region's economy.

The current political environment has left the Midwest in a strategic position to influence the federal global warming policy debate. Coalitions of states have formed in the Northeast and Western regions, entering into agreements to reduce global warming emissions. If the Midwest follows suit, a majority of US states will be committed to addressing global warming. The Midwest could be the critical tipping point in the effort to create federal global warming legislation.

PARTICIPATING STATES AND PROVINCE: Illinois, Iowa, Kansas, Manitoba, Michigan, Minnesota, Wisconsin

OBSERVING STATES: Indiana, Ohio, South Dakota, Ontario

The Governors of the six participating states and Manitoba signed the MGA GHG Accord in November of 2007 agreeing to establish a Midwest cap and trade program for regulating greenhouse gases. The Governors appointed a Greenhouse Gas Reduction Advisory Group made up of a variety of stakeholders including industry, government and environmental advocates that began in March of this year to meet monthly to come up with recommendations on the design elements of the cap and trade program. This group's work will be critical to developing a strong regulatory program for GHG emissions in the Midwest. The group is soliciting input from the public on this website: <http://www.midwesternaccord.org/> and it is important that members of the public who want to see a strong and effective GHG regulatory program put in place make their voices heard.

Key Aspects of a Cap and Trade Program:

There are several key aspects of a cap and trade program that are necessary to ensure the program effectively achieves the goals of reducing global warming emissions and building a clean energy economy.

Targets – It is important that the goals of the cap and trade program are set at the necessary levels to achieve the 80% reduction in emissions by 2050 that the scientific community tells us

is necessary to avoid the most serious consequences of global warming. The final recommendations will also include an interim (2020) goal, and could include a near-term goal.

Scope – The Accord is clear that this program will be a “multi-sector” program, however, there has been a great deal of debate within the committee as to whether it should include transportation fuels and heating fuels, or be limited to stationary sources of GHGs. Clean Wisconsin believes that it is critical that transportation fuels, which account for the second largest source of GHG emissions in the region, be included in any GHG regulatory program.

Offsets – Under some versions of a cap and trade program polluters who are unable to reduce their emissions are allowed to purchase “offsets.” Offsets are investments that can be made in other technologies or programs that reduce global warming emissions that are not covered under the cap. It is important that offsets do not undermine the environmental integrity of the cap and trade program, and actually achieve emission reduction. Any offsets included in the cap and trade program must be real, verifiable, permanent, enforceable and contained within the region participating in the cap and trade program. In addition, many of the advisory committee members believe that there needs to be a quantitative limit to the degree of compliance that can be achieved through offsets; this is a major point of contention on the committee.

Allocation of Pollution Credits – The purpose of a cap and trade program is to develop a market that will create incentives for the cleanest forms of electricity. It is important that pollution credits are not simply given away, but rather are auctioned. Revenues generated from the program should be invested in programs and technologies that will help further reduce global warming emissions. These investments will help to further stimulate and accelerate the growth of a clean energy economy.

Price Breaks, Loopholes and Off Ramps - It is important that a carbon market is able to operate as freely as possible. Polluters should not be allowed to create artificial price breaks and loopholes that would allow them to postpone reducing global warming emissions.