

Climate Legislative and Executive Workgroup (CLEW)

DRAFT Meeting Summary

December 6, 2013, 2:00 – 4:00 p.m.

Action Items

	Requested Clarifying Actions	Person Responsible
1.	CLEW Members will submit initial proposals to CLEW Staff by Monday, December 9, 2013.	CLEW Members/ CLEW Staff
2.	CLEW proposals will be available to the public by Wednesday, December 11, 2013	CLEW Staff/ Triangle

Welcome/Introductions

Governor Inslee called the meeting to order at 2:14 p.m. Bob Wheeler (facilitator) clarified that today was the re-scheduled November 21, 2013 CLEW meeting and not the public hearing. He then briefly reviewed the agenda.

November 6 Meeting Summary

There were no comments on the draft meeting summary, and it was approved by consensus.

CLEW Member Proposals

The facilitator briefly introduced two proposals submitted by CLEW members in advance of the meeting. One CLEW member suggested that each Workgroup member outline any recommendations that they could potentially support at this time.

Proposal #1:

The Workgroup should recommend the following to the Legislature, along with an explicit statement that the Legislature needs to take action in order to meet the State's targets:

1. Cap on carbon pollution with binding limits and market mechanisms.
2. Measures to reduce coal-by-wire.
3. An energy efficient building program.
4. Ways to help Washingtonians finance the use of clean energy.
5. Measures that will modernize the transportation system.

No specifics on how to accomplish the above recommendations were proposed at this meeting, but based on this CLEW member's evaluation of the potential policies, these five types of policies are necessary to achieve the statutory obligation. It was noted that the State cannot succeed in reducing its carbon emissions without a version of these policies. In order to have a binding, successful program, this member expressed that the State needs to implement a cap on carbon pollution—this is perhaps the single most important thing the Workgroup could recommend to the Legislature. The Legislature should then work to design an appropriate program with the characteristics recommended by the Workgroup, which could include

minimizing industry leakage, ensuring fair allocation, and establishing mechanisms to ensure the market works.

Proposal #2:

The goal of this process is to draft legislation for the 2014 session to meet the State's carbon reduction targets. It is clear that the Workgroup is not ready to do this because it does not have a fully designed system for any of the mechanisms specified in Proposal #1. That being said, this process has revealed that in order to meet the State's targets, the Workgroup should recommend:

1. A hard cap on carbon emissions in Washington State (WA).

Moving forward, the Workgroup will hopefully agree on supporting an effort to determine what a cap on carbon pollution in WA would look like, as it would be different than a federal cap-and-trade system or a California cap-and-trade system.

Proposal #3:

One of the main focuses of this Workgroup has been on how much each potential policy or action would cost in terms of energy, jobs, and other activities. It will be difficult to go the Legislature and have them draft and implement a plan before the economic analysis is complete. In other words, the Workgroup has an unfinished work product because it is missing the costs associated with each potential policy. At this point, this Workgroup member would like to recommend more work be done, particularly:

1. Conduct studies on the proposed policies in order to determine costs of various proposals.
2. Determine if the 2008 emission targets are in the best interest of WA.

It may be important to revisit the 2008 goals to determine their impact on WA's competitiveness. These goals may put WA in an unfair competitive position when other states with larger emissions do not have these types of targets.

In terms of Proposal #1, it is also important to consider the role of the Legislature in terms of the ongoing formation of proposals and ideas. For example, will the ideas developed in the Legislature be coming back to the Workgroup for a vote?

Proposal #4:

The Workgroup has been meeting for five months and has been provided with a lot of information to guide the decision-making process. At this point, it is clear that the Workgroup should:

1. Design and implement a program that would put a cap on carbon emissions and rely on market mechanisms to make it successful. It will be important to reach out to key stakeholders and business partners from around WA to develop this program.
2. Reduce coal-by-wire.

The cap-and-trade program design has not been fleshed out at this point. However, the purpose of this dialogue is to determine an approach to designing a cap-and-trade system that will work for WA. As the Workgroup begins designing potential programs, it will get answers to a lot of

the cost questions. Today we need to determine if this is someplace the Workgroup is willing to go. It is also important to emphasize that the “low hanging fruit” types of programs will not get WA to its emission reduction targets – which is important not only because it is law but because it is the right thing to do.

Proposal #5:

The Workgroup should not recommend any policies without understanding the economic ramifications. The Workgroup has not spent enough time on the economic findings, such as the impacts on businesses, families, and WA residents. It is possible to design a program to ameliorate these impacts, but the Workgroup needs to know what those are in order for this to be possible. As a result, the only option that the Workgroup should consider at this point is:

1. Studying the economic ramifications of potential policies.

Reducing coal-by-wire will not have a significant impact on the overall generation of coal. However, it will affect the rate payers in WA. The focus moving forward should be on economic impacts.

Questions and Comments

- *The CLEW Chair asked the legislative members for advice on what they could recommend to the Legislature that would allow the State to reach its targets.*
 - One member stated that the Workgroup does not necessarily know how far the State is from achieving its 2020 goals because we used a consumptive rather than generational approach to calculate our carbon footprint. This analysis should be completed before moving forward. There have also been tremendous strides in conservation, specifically in the I-937 arena. However, there is room for improvement. The Workgroup could recommend programs that better incentivize conservation. Another potential policy is Renewable Energy Credit (REC) banking. The Workgroup could help design a system that would allow the rate payers to reap the benefits.
 - Another member commented that the Workgroup could recommend finishing the economic analyses associated with the various programs the Workgroup is considering. It may also be important to reexamine the 2008 goals and consider if they are in the best interest of WA. In order to move forward, the costs of each potential program of actions and policies need to be analyzed to determine if carbon reduction programs in isolation will significantly affect WA’s economy. The Workgroup could recommend programs to incentivize and facilitate the development of technology in WA.
 - One Workgroup member emphasized that by recommending that the Legislature design and implement a particular program, the design portion will include looking at the economic ramifications – both positive and negative. It is impossible to do an economic analysis without a straw dog proposal. Additionally, when the Workgroup is thinking about a program of policies to recommend, it needs to consider the State’s emission reduction targets. To achieve those targets, the Workgroup needs to recommend some of the bigger items, such as a cap-and-trade system or reducing coal-by-wire.

- *There seems to be two divergent views on how to move forward, which suggests that consensus on a program will be difficult to reach.*
 - The Workgroup does not have to take any votes today. This is scheduled for the next CLEW meeting. One CLEW member stated that the Workgroup should consider short-term and long-term policies. Some of the programs could be implemented in the short-term while the Workgroup continues the discussion and designs some of the larger policies.
- *There was brief discussion on whether or not the Workgroup should revisit the targets set in the statute.*
 - One Workgroup member commented that the goals should be reconsidered if the economic analysis reveals that the impacts on WA state residents are too costly. Moving forward, the Workgroup should take a balanced approach and look at potential solutions and examine them against the costs and economic impacts.
 - Another Workgroup member commented that none of the recommendations brought forward today included the comprehensive policies required by the statute. Therefore, the Workgroup has an unfinished product, especially without considering the costs. The member suggested that the Workgroup process could be extended so that it can complete the economic analysis required under the statute.

The Workgroup took a break.

- *One of the purposes of this meeting was to provide the public with information to comment on during the December 13th public hearing.*
 - The Workgroup agreed to think about the information that was discussed today, as well as any additional ideas, and provide proposals to CLEW Staff by Monday, December 9, 2013. CLEW Staff will then develop a draft report by the end of the day on Monday that will be available to the public shortly thereafter.¹

Next Steps

The final public hearing will be on December 13, 2013 from 2:00 to 5:00 pm, and the final CLEW meeting will be on December 18, 2013 from 10:00 am to 12:00 pm. Governor Inslee adjourned the meeting at 3:25 p.m.

¹ This approach was altered after the meeting. CLEW proposals will be made available to the public instead of a draft report by Wednesday, December 11, 2013.