

**Summary of the Second Meeting of the  
Illinois Governor Rod Blagojevich Climate Change Advisory Group**

**April 3, 2007**

**Capital City Center  
130 West Mason Street  
Springfield, Illinois**

**Introduction**

The meeting commenced at 10:30 a.m. with approximately 55 people in attendance and 15 people via video conference from Chicago. Illinois EPA (IEPA) Administrator and Advisory Group Chairman Doug Scott called the meeting to order, welcomed all in attendance and initiated a round of introductions among participants.

Director Scott reviewed discussions from the previous meeting surrounding the group's mission, objectives, and strategies for achieving Governor Blagojevich's greenhouse gas (GHG) reduction goals to meet 1990 levels by 2020 and sixty percent below 1990 levels by 2050. He explained the priorities for this second meeting will be to discuss updates to the Illinois GHG inventory and projections, results of the policy option voting/prioritization exercise, the formation of policy subgroups, and a timeline going forward. The full group will meet next in late May in Chicago, meet again in June, and submit a final report to the Governor sometime in July.

Dr. Jonathan Pershing, director of the Climate and Energy Program at the World Resources Institute (WRI), welcomed group members, reviewed activities following the previous meeting, and outlined the meeting agenda:

- Recap of activities after February 22 meeting
- Updates to Illinois GHG inventory based on feedback
- Presentation and discussion of policy option survey results
- Develop workplan for subgroups
- Brief modeling discussion
- Next steps

**Recap of Recent Activities**

Following the February 22 meeting, in response to group requests, WRI, IEPA, and the Illinois Department of Commerce and Economic Opportunity (DCEO) provided additional information and more details on the Governor's Energy Independence Plan (EIP). They also conducted a survey to determine which policy options the group felt should be priorities and investigated modeling options given limited time and resources.

**Updated GHG Emissions Inventory and Projections (John Larsen, WRI)**

John Larsen presented an updated GHG inventory document for Illinois and discussed the incorporation of more in-depth information on GHGs in various sectors in Illinois, such as electricity generation, transportation, industry, and land use change and forestry. Mr. Larsen

discussed Illinois GHG emissions in a broader context, highlighting similarities and differences compared to other states in the region.

Mr. Larsen also shared additional analysis and updates to GHG projections relating to projections in the Governor's EIP, which center on assumptions on technological advancements of cellulosic ethanol feasibility and integrated gasification combined cycle coal technology with carbon capture and storage.

Three scenarios were developed for the biofuels production: a) cellulosic ethanol makes up 12 percent of total ethanol production by 2020 (the rest is corn); b) cellulosic ethanol makes up 6 percent of total ethanol production by 2020; and c) cellulosic ethanol production is not feasible by 2020. GHG reduction estimates were based a life cycle savings of 18 percent compared to conventional gasoline fuel mix. For Illinois transportation fuel mix, two broader scenarios were applied: a) 100 percent of produced ethanol is consumed in Illinois; or b) 50 percent of produced ethanol is consumed in Illinois. Through 2020, technology will determine trajectories, specifically with cellulosic ethanol. The difference in GHG emission reduction for 12 percent ethanol and 0 percent ethanol is 3 million metric tons.

Similarly, two scenarios were developed for the power sector (building from EIP components): a) an optimistic case with 3 IGCC plants all equipped with 50 percent CCS and 3 coal to liquids plants two of which are equipped with 50 percent CCS (achieves 22 percent GHG reduction from BAU in 2020; and c) a pessimistic where only one coal to liquids plant is equipped with 50 percent CCS and all other plants have no carbon controls (achieves 7 percent GHG reduction from BAU).

Becky Stanfield, Environment Illinois, questioned whether the assumption that two plants will be displaced is pessimistic (as opposed to an assumption that no plants will be displaced).

David Baker, DCEO, explained that both scenarios assumed 2/3 of what would be displaced would be conventional new plants and 1/3 would be existing plants. It was noted that the displaced capacity was only 400 MW which was not a large amount.

Gene Trisco, United Mine Workers, asked why only IGCC plants were considered and whether it made sense to also include chilled ammonia technology. Dr. Pershing suggested that such additional technology options should be incorporated in the notes.

Michael Schlesinger, University of Illinois, asked why projections were not carried out to 2050 as discussed in the previous meeting. Mr. Larsen and Dr. Pershing explained that due to difficulties and uncertainties around 2050 projections, 2020 projections were more appropriate for this group discussion, but long-term projections certainly make sense for the modeling discussions and planning. In general, the modeling exercises will expand on the initial 'back of the envelope' calculations presented here for group discussion and feedback.

### **Policy Survey Results and Prioritization**

Dr. Pershing distributed the results of the group survey, showing the policy options and the votes received, and opened the floor for feedback. He thanked the group for responding to the survey and noted that options that do not make the "list" will not preclude them from discussion later on.

Most of the top results were policies relating to electricity and transportation, as well as some relation to the commercial, industrial, waste, agriculture, and forestry sectors. Survey results were cut off at 15 votes cause they had to be cut off somewhere (15 votes represents a minimum of approximately 35-40 percent support). The ranks proposed are organizational, with priorities determined by vote tally. Overall, results cover all economic sectors, a comprehensive package.

The group responded with questions concerning why 15 was chosen as the cut off point, how the Governor's EIP relates to the policy options and how policies that did not make the list could be considered in later discussions. Mr. Larsen and Dr. Pershing explained that 15 was chosen for simplicity's sake and the policy option ranking is not a comprehensive list, so other options can be discussed among the subgroups. Also, though the EIP is not under discussion, augmentation is a potential option and several policy options are essentially augmentations of EIP.

The group also asked how federal policy action may affect Illinois plans. In the context of potential federal action, some in the group expressed concern that state-level action may not be appropriate. Mr. Trisco offered that the United Mine Workers and the AFL-CIO support a national cap and trade as opposed to a state-level system due to concerns about jeopardizing the Illinois coal industry. Mary Culler, Ford Motor Company, also noted uncertainty relating to federal action on corporate average fuel economy standards and renewable fuel mandates.

Others in the group argued against excluding policy options based on potential federal action. In such cases, the possibility of federal action and any legal hurdles can and should be noted. While they agreed certainty around federal action is preferable, the group is charged with determining policy options to meet the Governor's goal and therefore potential federal action would be left out of any analysis.

The group also discussed concerns around the cost-benefit and financial feasibility of policy options. Some suggested it would be useful to compare the associated costs and assess what actions make the most sense. In some cases it may be reasonable to explore additional no-cost options. Others noted that any synergies, tensions, or other critical connections with existing policies should be considered as well.

Dr. Pershing noted that insights into economic impacts and costs can come from modeling and can inform ultimate recommendations. For this initial prioritization discussion, the key characteristics included those listed on the handout: affected sectors, cross-cutting policies, leakages between policies, timetables, duration, stringency, implementation mechanisms (state vs. federal), barriers to implementation (administrative, cost, technological, political), It is subjective as to what gets weighted more highly. Survey respondents took each component into consideration at different levels.

Following a lunch break, Director Scott initiated the second part of the policy option discussion, focusing on developing a list of policy options for subgroups to consider and refine over the next several weeks. He and Dr. Pershing encouraged general comments and any suggestions for what policy options may not be captured in list of the top 25, but should be considered during the subgroup process.

Some in the group noted that the Governor's goal is aggressive and it will be challenging to achieve the necessary reductions even with the set of options on the table. Dr. Pershing noted that the policy options currently do not address stringency and this is something that will be determined within the subgroups. Mr. Scott noted that the strategies in current form are purposefully vague and that decisions on stringency and timing will have significant effects on

reductions. Estimates for emission reductions can be refined to a certain extent, which will help ascertain impacts, but modeling will lend additional insights. The group agreed that such quantification will be helpful once the policies are refined and initial estimates can help subgroups make decisions.

The group also emphasized the importance of gathering information from the various sectors and that the subgroup process will be helpful in gaining feedback on how proposed actions might impact certain sectors and what emission reductions might be feasible. The subgroup process can also identify other policy options that may be appropriate for Illinois.

### **Subgroup Formation and Tasks**

Dr. Pershing initiated discussion on the formation of subgroups, emphasizing the need for expertise in each subgroup and a mechanism for transparency and openness. The proposed process would be largely open phone conversations to develop recommendations based on favored policies and emission reduction potential. He outlined five subgroups with the following Chairs:

- Power and Energy – Howard Learner, ELPC
- Transportation – Michael Carrigan, AFL-CIO
- Modeling – Doug Scott, IEPA
- Cap and Trade – Doug Scott, IEPA
- Commercial, Industrial, and Agriculture – Art Gibson, Baxter Healthcare

The proposed timeline for subgroup discussions is six weeks, a series of three conference calls. Ground rules will be distributed. WRI, IEPA, and DCEO will be engaged and information will be circulated between calls. Ultimately, the larger group will consider subgroup policy recommendations and make final determination on those to move forward with.

Dr. Pershing explained that policies need to be specific in terms of affected sectors and subsectors, stringency; timeline and policy duration, implementation, key barriers (e.g., legal, already in force or augmented), and impacts for Illinois and broader region. The recommendations are not meant to be legislation, they are meant to be policy options of a few pages in length. The group should not expect consensus on policies, but should be sure to identify pros and cons of policies so final report can reflect both sides.

Dr. Pershing noted most of the subgroups are straightforward (e.g., power/energy and transportation). Cap and trade, though, is more complex as it is likely to affect several sectors and could be politically-charged. In general, information will need to be shared across subgroups, especially with regard to data/assumptions needed to develop a base case in the modeling subgroup. Calls will be open to all and participation is highly encouraged.

Jim Halesky, US Steel, noted that cap and trade may not be appropriate for all sectors. Mr. Scott noted that under the proposed process the subgroup can look at this. WRI and IEPA decided it warranted its own subgroup because it is a major proposal and may dominate discussions in other groups. The group acknowledged that other characteristics and alternatives to a cap and trade can be taken into account, but since the cap and trade option is so large and so complicated it deserved its own group. Mr. Halesky encouraged the group to consider other regulatory schemes within the subgroup and noted that decoupling is a relevant policy option worth discussion along with other alternatives.

## **Modeling**

Mr. Larsen noted that after subgroups evaluate and refine policy proposals, a modeling exercise will assess the projected impacts, costs, and interactions between the policy actions. Given the time and resource limitations, WRI evaluated modeling opportunities based on timeliness, cost, capability, and track record.

The proposed modeling exercise consists of two parts: an effort to model the power sector response to policy proposals; and an effort to analyze other policy proposals (e.g., smart growth, transportation) using Illinois agency and WRI expertise. The exercise will also incorporate projected economic impacts including employment and consumer costs.

Some in the group asked what was done to ensure that the process would not be compromised by the use of a cheap, unreliable model. Others asked if the model could account for policy consequences such as ‘leakage’ as was done for the Regional Greenhouse Gas Initiative (RGGI) in the Northeast U.S.

Dr. Pershing explained that WRI has only looked at modeling groups whose reputation have withstood the test of time, though a few well-respected multi-sector modeling groups have still yet to reply to WRI’s initial inquiries. Presently, the group’s best option is the Haiku model, which was used during the RGGI process to evaluate leakage concerns and was also used to assess several other major GHG policy proposals. The model has the capacity to incorporate key parameters, such as individual power plants and demographic shifts.

Some in the group asked how natural gas prices and other volatile energy costs would be incorporated into the modeling exercise. Dr. Pershing noted that short-term volatility is beyond the capabilities of most models, but the group can determine the assumptions for critical energy prices and conduct sensitivities to assess the range of impact on model outputs. He suggested subgroups can provide additional insight into the appropriate ranges to model.

Others in the group suggested additional areas to examine, particularly with regard to energy demand analysis, and referenced experience in other states that might inform the modeling exercise. Dr. Pershing strongly encouraged them to participate in the modeling subgroup.

## **Next Steps**

Dr. Pershing summarized the results of the day’s discussion and noted that subgroup designation was a key step. Subgroups will be working with the top-ranked policy options, but have the flexibility to add other options as they see appropriate. WRI and Illinois agencies will work to develop templates that can help create standardization among policy proposals. Subgroups will be asked to elaborate on the current policy options and provide initial recommendations.

Subgroups should work toward consensus if possible, though if they cannot reach consensus on all areas, it will be helpful to discuss and present the pros and cons to elucidate policies to policy makers.

It will also be helpful if, wherever appropriate, the subgroup can provide some information on a framework for action through 2020 and through 2050 (this may be highly qualitative; it may be

possible to accomplish with precision). The subgroups' efforts here will help in making decisions and comparing policy options.

WRI and Illinois agencies will build straw proposals to use for initial discussions. These will hopefully serve as reasonable starting points, but should not limit discussion. Straw proposals will be distributed to the entire group and can be reviewed, discussed, revised, rejected, as the group sees fit. The subgroups will return to the full group with policy recommendations at the next meeting at the end of May.

Subgroup conference call numbers will be distributed via the Web site ([ilclimatechange.org](http://ilclimatechange.org)) and email. Calls will be open to all, but preference is to be given to members of the advisory group. Calls will be moderated by designated subgroup chairs.

Dates are somewhat uncertain. WRI-IEPA-DCEO will provide templates, within approximately a week and a half. First calls can begin the week of April 16<sup>th</sup>, the second calls two weeks later, and the third calls two weeks after that (feedback and information sharing/gathering will occur in between calls).. The third meeting of full advisory group will follow and subgroups can provide policy option recommendations and feedback.

The group can select which subgroups they wish participate in and calls will be scheduled in advance (as much as is possible), so the group can make arrangements to participate and provide comments. The group is encouraged to send information and feedback in writing and materials will be shared via the Web site to the extent possible.

Once next steps were addressed, the meeting concluded at 3:45 pm.