



July 15, 2007

Honorable Doug Scott  
Director, Illinois Environmental Protection Agency  
Chair, Governor's Climate Change Advisory Group  
DELIVERY VIA ELECTRONIC MAIL

Dear Director Scott,

The Center for Energy and Economic Development (CEED) has been participating as a voting member of Governor Rod R. Blagojevich's Illinois Climate Change Advisory Group (ICCAG) and appreciates the opportunity to provide input via the stakeholder process established by the Governor's Executive Order creating this group.

Policy Recommendations and Modeling. It has become clear to CEED members that a more exhaustive process is needed to model and to evaluate the policies under consideration. In fact, after reviewing the material presented at the meeting in Chicago on July 10, 2007, it is apparent that a number of the modeling base case assumptions bear no real relationship to the reality of energy production and consumption in Illinois, or to the actual costs that will be felt by ratepayers and other energy consumers in Illinois.

The proposed approach of bundling together a majority of the policy options for modeling runs will make it impossible to identify the costs and other impacts of individual policies. Moreover, ICF has acknowledged that its model is not constructed to model the PJM system and, to make matters worse, it includes only two transmission nodes. This shortcoming will undoubtedly prevent the modelers from accurately predicting generation "leakage" thus precluding any ability to estimate the costs and benefits of the policies related to the electric generation sector. The selection of the policy options was, at best, a random selection with little study provided to back up conclusions provided in straw proposals. Even policy options that were rejected had little substance attached to them, providing for almost no evaluation.

Cap and Trade. CEED believes it is unfair to impose a disproportionate share of greenhouse gas emissions reductions on the energy generation sector relative to its share of total greenhouse gas emissions in the State of Illinois. Sector equity should be a basic tenet of any solutions recommended to the Governor.

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This fact is most apparent in the discussion to create an “Illinois-only” cap and trade program to achieve emission reductions in accordance with the Governor’s announced goal. This policy will exaggerate electric rate shock already present in Illinois without achieving any reduction in ambient greenhouse gas concentration because of generation leakage to surrounding states, even perhaps from areas outside the Midwest footprint. Cap and Trade ensures that out-of-state generators, who couldn’t compete against Illinois generators prior to implementation of cap and trade, will supply the power that is needed at higher prices to Illinois consumers.

Arbitrary Inclusion of Policies. Based upon the process thus far, it appears there will be measures contained in the final report with which a number of panel members disagree. These measures are being included not because they make sense, but merely because they meet an assigned reduction value that is based on what other states are doing (as opposed to peer-reviewed research as to the environmental benefit derived from certain state-only reduction programs).

CEED strongly recommends that the policy options being considered by the Governor undergo further detailed study. Other states and multi-regional groups have only undertaken similar initiatives with the benefit of more detailed economic analyses than will be provided to the ICCAG. Illinois ratepayers deserve to have all of these proposals reviewed under the same kind of microscope.

Final Report Comments. In the interest of providing Governor Blagojevich with all of the data necessary to arrive at a sound policy on climate issues, we would like to make certain our comments are made part of the final report, even if our views disagree with what the agency forwards to the Governor’s desk. At your earliest convenience, if you could detail for the ICCAG the process for how these comments will be attached to the final report, it would be greatly appreciated.

Sincerely,

//electronically submitted//

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Center for Energy and Economic Development (CEED)

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