

## Supplemental Views and Recommendations of Illinois CCAG Labor Representatives

The labor members of the Illinois Climate Change Advisory Group (CCAG) appreciate the Governor's inclusion of labor representatives within the CCAG Process, due to the potential economic and job consequences of actions to combat global climate change. Our CCAG membership includes the Illinois AFL-CIO and several of its member unions that stand to be most affected by federal or state climate change policies – the International Brotherhood of Electrical Workers, the United Transportation Union, and the United Mine Workers of America.

### Labor Supports Actions to Address Climate Change

The national AFL-CIO is actively supporting federal legislation to address climate change. Labor representatives of the CCAG likewise support the enactment of comprehensive federal climate change legislation. We believe that it is highly probable that substantive federal climate legislation will be enacted within the timeframe required for Illinois to begin to implement most of the policies recommended by the CCAG. We therefore are concerned, as discussed below, about the potential for overlapping or conflicting state and federal climate policies that could harm Illinois' economy and jobs.

We also support the Governor's Energy Independence Plan, and many of the state-level initiatives proposed by the Illinois CCAG, and believe that such programs and policies can have beneficial economic and job impacts for Illinois workers and consumers. Specific CCAG policy initiatives that we support include, but are not limited to:

- Energy efficiency standards for appliances and equipment
- Enhanced residential and commercial energy efficiency construction codes
- Energy conservation and efficiency programs for existing state facilities
- Passenger and freight rail upgrades

- Smart growth initiatives and expansion of mass transit
- Encouraging or requiring reductions of greenhouse gases with high global warming potential
- Expanding the use of no-till farming
- Efficiency standards for commercial and industrial boilers and incentives for efficiency upgrades

These types of initiatives are particularly appropriate for states to undertake because they require local knowledge and expertise based on state-specific factors, including the availability of complementary policies and programs already in place. Many, such as upgrading mass transit *and expanding the role of passenger and freight rail*, are clear “win-wins” for the environment and jobs. Others, such as improving the energy efficiency of existing state buildings, offer the potential for achieving greenhouse gas reductions at very low cost. None of these actions would lead to job losses or would impair the competitiveness of the Illinois economy.

#### Policies that Concern Labor

The CCAG policies most of concern to labor representatives are in the transportation and electric power sectors, including the proposed “cap-and-trade” policy for restricting future greenhouse emissions from electric generators.

The specific policies that we are not able to support or recommend for adoption at the state level include:

- Carbon capture and storage portfolio standard for new electric generators
- CO2 emission performance standards for electricity generation or procurement
- GHG emission standards for cars (CA standards)
- Carbon offset requirements for existing or new large stationary sources
- State level electric and large industrial cap-and-trade program

Each of these initiatives may well be appropriate to pursue through federal legislation, with costs and impacts that are spread more or less equally throughout the nation. Implemented in Illinois alone, however, we are

concerned that the proposed electric utility requirements may have several potential adverse consequences for the state's workers, consumers and businesses that depend heavily on electricity. These effects are likely to include:

- 1) Increasing the cost of new coal-based generation above that of competing states that do not impose such requirements (e.g., carbon offsets, carbon cap, or gas-based CO<sub>2</sub> performance standards), thereby leading to the construction of these plants in adjacent coal states such as Kentucky and Indiana;
- 2) Reducing the competitiveness of Illinois' electric generation in the restructured and highly-competitive PJM system stretching from Illinois to New Jersey, leading to higher electric generation prices for consumers and increased emissions from plants in other states;
- 3) Impeding the development of new clean coal IGCC capacity in southern Illinois, with its huge potential job benefits, by imposing carbon capture requirements and costs not required by other states;
- 4) Creating a new, open-ended energy tax on electric consumers by an emission allowance auction system, where the price of carbon dioxide allowances is not subject to any "safety valve" price like that proposed in several bills now before Congress, and where allowance auction costs will be passed through directly to electricity users;
- 5) Failing to realize the potential cost savings of participation in a national or global emissions trading regime, which can open up cost-effective emission reductions outside Illinois beyond the limited opportunities that may exist in the Northeast RGGI or California programs.

In the case of motor vehicles, we agree with the strong concerns that domestic vehicle manufacturers have expressed about state-level CO<sub>2</sub> programs like those under development in California. This would further penalize workers in the already distressed Midwestern auto manufacturing sector, and likely would lead to substantially higher costs for Illinois consumers. We believe the better course is a full and fair Congressional debate over national auto efficiency standards, together with the development of proposals for revitalizing the domestic auto industry. These debates are now underway in Washington.

## Benefits of a National Approach

We believe that each of the adverse effects we have listed here could be avoided altogether, or substantially reduced, by Illinois' participation in federal climate change programs now under consideration by Congress.

Moreover, in cases such as the proposed auction of emission allowances to electric utilities, there is a definite potential for overlap and conflict with pending federal greenhouse gas control measures. Most of the climate bills before Congress require auctions of emission allowances. If a state such as Illinois independently mandated a similar auction requirement, electric generators would be faced with the prospect of purchasing one state and one federal allowance to cover the same ton of carbon dioxide emissions.

In addition, if federal CO<sub>2</sub> allowance programs are structured similar to the EPA acid rain allowance trading program, independent state carbon limits would not necessarily change total national emissions. This is because federal CO<sub>2</sub> allowances may be sold on a national basis. More stringent state laws thus may serve largely to redistribute carbon emissions, with no impact on global greenhouse gas concentrations.

## Need for Further Study

The CCAG had little time and few resources to study the costs and benefits of each of the high-priority options selected at the beginning of the CCAG process. The limited modeling performed by ICF International utilized a relatively simplistic model of the interconnected utility sector, and did not identify the costs and benefits of individual CCAG options.

We share the view that the potential adverse job and economic consequences of the CCAG electric utility and automotive options noted above are sufficiently great to warrant further independent evaluation. We recommend that the University of Illinois, Southern Illinois University, or similarly qualified research and educational entities be charged by the General Assembly with a thorough evaluation of the impacts of each of the major policies recommended by the CCAG Report, including effects on energy prices and jobs, prior to any actions to implement these recommendations through legislation or regulation.

Respectfully submitted this 10th day of July 2007:

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