Comments of Illinois CCAG Labor Stakeholders  
On Illinois Climate Change Recommendations

The labor members of the Illinois Climate Change Advisory Group (CCAG) appreciate Governor Blagojevich’s inclusion of labor representatives within the CCAG Process. 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.

These comments supplement the views we have expressed during the course of the CCAG stakeholder process. We supported adoption of the 19 policy initiatives receiving unanimous approval from the advisory group, but voted against five other policies: California CO2 standards for automobiles, the “cap-and-trade” policy for Illinois electric generators, and three other policies limiting CO2 emissions from the electric utility sector. We believe that these utility policies would severely limit prospects for new clean coal energy investments in southern Illinois, in direct conflict with the Governor’s goals to advance economic development and job growth in southern Illinois. We have already begun to lobby aggressively against these policies.

Actions We Support to Address Climate Change

The national AFL-CIO is actively supporting the bipartisan Bingaman-Specter bill (S. 1766) to achieve significant reductions in national greenhouse gas emissions. The labor representatives of the CCAG likewise support the enactment of this comprehensive federal legislation as a superior alternative to state or regional initiatives. We believe it is highly probable that 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 are very concerned 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. CCAG policy initiatives that we support include:

- 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 initiatives are particularly appropriate for states to undertake because they require 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. (It is unfortunate that the proposed funding levels in the Capital Bill currently under consideration woefully underfund mass transit and freight rail needs.) Other policies, 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.

Process Concerns

The CCAG had only six months to develop recommendations for statewide climate change policies with potentially far-reaching economic consequences for Illinois. In contrast, states in the Northeast Regional Greenhouse Gas Initiative (RGGI) took more than three years to fashion a cap-and-trade program limited to the utility sector. CCAG stakeholders typically received large e-mail transmissions of modeling studies, memoranda and other materials less than a day prior to scheduled meetings, or hours before scheduled conference calls.
Apart from this “rush to judgment,” the CCAG process was flawed in several critical respects, including:

- Overrepresentation of environmental advocates and “community” representatives, ensuring majority support for controversial measures such as the cap-and-trade program;
- Premature “popular voting” for options for further study, effectively stranding many options with substantial reduction potential;
- Failure to establish agreed, verifiable procedures for voting on proposed measures, such as a roll-call vote;
- Failure to advise CCAG members of proxy voting procedures;
- Allowing one ICCAG member to split his vote three ways on three different policies questions while all other ICCAG members were allowed one vote for the same three policy questions;
- Rushed (and frequently illegible) presentations of modeling findings by contractor ICF International.

For these reasons, we cannot recommend the Report of the CCAG as reflective of a deliberative process commensurate with its importance to the citizens of the State of Illinois. We urge careful scrutiny by the General Assembly of the non-consensus recommendations in the CCAG Report, and anticipate active labor engagement in the debates that will accompany any legislative or regulatory proposals to implement these recommendations.

**Policies We Oppose**

The CCAG policies that labor representatives oppose 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 at the state level include:

- GHG emission standards for cars (CA standards)
- Carbon capture and storage portfolio standards for Illinois electric providers
• Natural gas-based CO2 emission performance standards for electricity generation or procurement
• 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 be appropriate to pursue through federal legislation, with costs and impacts spread throughout the nation. Implemented in Illinois alone, however, we believe that the proposed electric utility requirements would have adverse consequences for the state’s workers, consumers and businesses, with no meaningful environmental benefits.

The electric utility controls recommended by a majority vote of the stakeholders would reduce Illinois electric generation at conventional plants by 36%, according to ICF modeling. This would translate directly to job losses for plant workers and surrounding communities, with negligible environmental benefit due to “leakage” in the form of increased emissions from other states. The emission allowance auction is estimated to cost Illinois generators – and electric ratepayers - more than $1 billion annually according to World Resources Institute.

The proposed mandates for Illinois electric generators would have several specific adverse effects, including:

1) Impeding the development of new IGCC and other clean coal generating capacity in southern Illinois, with its huge potential job benefits, by imposing carbon control costs not required by other states;
2) Reducing the competitiveness of Illinois’ electric generation in the PJM system stretching from Illinois to New Jersey;
3) Creating an 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, and where allowance auction costs of a billion dollars or more annually will be passed directly through to electricity users; and
4) Failing to realize the potential cost savings of participation in a national or global emissions trading system.
In the case of motor vehicles, we fully agree with the concerns that the United Auto Workers and domestic vehicle manufacturers have expressed about state-level CO2 programs like those in California. We regret that the UAW was not invited to participate as a stakeholder in the CCAG, giving auto workers an opportunity to respond to the views of CCAG’s environmental advocates.

The extreme California vehicle emission control mandates would further penalize workers in the already distressed Midwestern auto manufacturing sector, and lead to substantially higher costs for Illinois consumers – estimated by Ford Motor Company at $3,000 per vehicle. We believe the better course is a full 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.

“Leakage” to Other States Undermines CCAG’s Recommendations

The ICF modeling exercise provided useful insights into the impact that “leakage” of emissions reductions would have on the overall emission reductions of an Illinois cap-and-trade program. As summarized by WRI’s September 6th memo distributed at the final stakeholder meeting:

“Emissions leakage is the concept where emissions of greenhouse gases (GHGs) (e.g. emissions from existing and new electric generators and industrial facilities) not subject to carbon controls such as a cap and trade system increase due to mandated GHG reductions in another jurisdiction or sector. As mandatory reductions are undertaken, surrounding states increase emissions to meet demand within the carbon constrained jurisdiction. …

Emissions leakage can reduce the overall environmental effectiveness of a GHG reduction policy as reductions in emissions achieved in state can be met with increases in emissions out of state resulting in net reductions that are lower than the initial goals of the program. …

The table below provides a summary of emission reductions from the 3 primary policy modeling scenarios for both inside and outside Illinois. …
## Table 1. GHG Reductions Achieved under ICCAG Policy Packages
(Million Metric Tons CO2e)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Inside Illinois</th>
<th>Outside Illinois</th>
<th>Total</th>
</tr>
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<tr>
<td>IL-05-00</td>
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<td>36</td>
<td>44</td>
<td>80</td>
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<tr>
<td>IL-10-00</td>
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<td>84</td>
<td>3</td>
<td>87</td>
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<td>IL-11-00</td>
<td>“All in” with cap and trade and link to RGGI**</td>
<td>49</td>
<td>39</td>
<td>88</td>
</tr>
</tbody>
</table>

*5 million metric tonnes of offset reductions are included in Inside Illinois totals for IL-10-00
**5 million metric tonnes of offsets are included in the Inside Illinois total, 33 million metric tonnes of allowances purchased through RGGI link are not included

As the ICCAG considers its final policy recommendations to the Governor, emissions leakage is likely to be an important factor. The current straw proposal for cap and trade identifies two points that could be effective in addressing any emissions leakage that may result from that program.

- The pursuit of a regional cap and trade program with other Midwest states is preferred but other interstate cooperation could be explored. A program that includes several other states could allow for all actors to operate under the same emissions constraint thus reducing the electric generation price differential that can cause leakage.
- Create an emissions leakage working group that will consider the issue and recommend appropriate courses of action as a cap and trade program is designed and implemented.”

We disagree with WRI’s optimism about the effects of an expanded regional cap-and-trade program, but agree with the need for further study of the leakage issue. Out-of-state leakage may not be mitigated simply by expanding the number of participating states. Imposing multi-billion dollar costs on regional electric generation would simply invite increased power imports from an even broader group of neighboring states.

ICF’s modeling indicates that the net effect of the Illinois cap-and-trade program, compared to the “all-in without cap-and-trade” scenario, is to reduce North American CO2 emissions by merely 2 million tons annually, from approximately 79 million to 81 million tons.\(^1\) The reductions achieved in Illinois are swamped by emissions increases in other states. There is no reason to expect substantially different results for a cap-and-trade program imposed on a group of 4 or 5 Midwestern states.

Finally, ICF projects the construction of new, currently unplanned advanced coal units in Illinois using carbon capture and storage technologies (CCS) starting in 2015. These plants would supply power to utilities under a

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\(^1\) ICF International, Summary of Policy Results (Powerpoint, September 6, 2007), slide 18.
proposed 5% portfolio standard requirement (i.e., Illinois utilities must buy 5% of their power from CCS-equipped plants if such power is available.) This fictitious projection is a key part of ICF’s findings that Illinois coal mining employment would increase under the cap & trade and other utility policies. We do not accept these projections. The Electric Power Research Institute and other experts in CCS technologies do not predict commercial availability of CCS until after 2020. If this unplanned CCS generation capacity is eliminated from ICF’s projections, the amount of CO2 emissions “leakage” from other states would increase further, because out-of-state plants would need to make up the power that is not generated in Illinois.

Benefits of a National Approach

We believe that each of the adverse effects discussed 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 clear 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 auction requirements, electric generators could be faced with the prospect of purchasing one state and one federal allowance to cover the same ton of carbon dioxide emissions. Such a conflict could be avoided by direct federal preemption of state cap-and-trade or auction programs, or by state “sunsetting” provisions. The Illinois CCAG labor representatives would strongly support a sunset provision in any legislation implementing an Illinois cap-and-trade program or similar policies.

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. It also

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relied on optimistic projections by IDCEO about future economic growth in Illinois.

We believe that the potential adverse job and economic consequences of the CCAG electric utility and automotive options 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, including effects on energy prices and jobs, prior to any actions to implement these recommendations through legislation or regulation.

Respectfully submitted this 6th day of October 2007:

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