



Working Group 6: Regulatory and Environmental Policy Issues

Meeting No. 4 – Pathways to Decarbonization

Date: July 31, 2018

Time: 1:00 – 4:00 pm

Location: Main Hearing Room, Illinois Commerce Commission
160 North LaSalle, Suite C-800
Chicago, Illinois 60601

WebEx Information:

Meeting number (access code): 809 027 775

Meeting password: TyKCaF37

Meeting Summary

[Note: descriptions of comments and discussion are condensed summaries and paraphrases]

Attendee List

Working Group Members:

In Person:

- Bev Hall, *Ameren Illinois*
- Leonard Jones, *Ameren Illinois*
- Jim Blessing, *Ameren Illinois*
- Glenn Rippie, *R3/ComEd*
- Roxann Reyes, *Commonwealth Edison Company*
- Ian Ford, *Commonwealth Edison Company*
- Chris Foley, *Commonwealth Edison Company*
- Kristin Munsch, *Citizen's Utility Board*
- Christie Hicks, *Environmental Defense Fund*
- Demi Charalab, *Exelon*
- Paul Centolella, *Paul Centolella & Associates*
- Gary Helm, *PJM Interconnection (ISO)*

- *Mark Templeton, U of Chicago Law School*
- *Jessica Collingsworth, Union of Concerned Scientists*
- *James Gignac, Union of Concerned Scientists*
- *Will Kenworthy, Vote Solar*
- *Sean Brady, Wind on the Wires*
- *Kate Tomford, Chicago Transit Authority (CTA)*
- *Robert Weinstock, John R. Weinberger, LLC*

WebEx:

- *Ali Al Jabir, Brubaker & Associates, Inc.*
- *Gerard Fox, Retail Energy Supplier Association*
- *Juliana Pino, Little Village Environmental AI Justice organization*
- *Katie Stonewater, Illinois Chamber of Commerce*
- *Michael Abba, Ameren Illinois*
- *Pete Sauer, University of Illinois, NextGrid Lead Facilitator*
- *Suzanne Stelmasek, Elevate Energy*

Absent Working Group Members:

- *Advanced Energy Economy*
- *AECOM*
- *Illinois Attorney General's Office*
- *Clean Energy Trust*
- *ELPC*
- *MISO*
- *NRDC*
- *Proactive Strategies*
- *Sierra Club*
- *SoCore Energy*
- *Sunrun*
- *Tesla*
- *The Accelerate Group*

- *Wired Group*
- *RCHemphill Solutions LLC*
- *Advanced Energy Economy*
- *Midwest Energy Efficiency Alliance (MEEA)*
- *BP America Inc.*
- *ELPC*

Members of the Public/ Non-working group members:

In Person:

- Charles Gibson, *University of Chicago*
- David Little, *Regulatory Assistance Project*
- Chris Villarreal, *PluggedInStrategies*
- Chris Tonwsend, *NextGrid Coalition*
- Terrance Garmon, *Illinois Commerce Commission*
- Katharine McErlean, *Illinois Commerce Commission*
- Molly Blondell, *University of Chicago Law Student*
- Justin Behrens, *University of Chicago Law Student*
- Simona Brook, *University of Chicago Law Student*
- Charley Gibson, *University of Chicago Law Student*

WebEx:

- Nedra Sandifer

Agenda Item I: Welcome and Introductions

Working Group 6 Facilitator Mary Gade made welcoming remarks and introduced the topic for the working group meeting as “Pathways to Decarbonization.”

Professor Mark Templeton from the Abrams Environmental Law Clinic at the University of Chicago Law School introduced David Littell from the Regulatory Assistance Project (RAP) to give remarks.

(for additional detail, see PowerPoint presentation)

Agenda Item II: Presentation by David Littell, Regulatory Assistance Project

David Littell, Principal at RAP, presented on market and regulatory decarbonization pathways, focusing on programs in other states and general considerations for establishing new such programs. His presentation compared attributes of market-based trading, pricing carbon, and non-pricing paths, including how various programs are structured, their effects, and how revenues generated by the programs are used. The presentation highlighted a number of benefits of decarbonization programs, including carbon and particulate emission reductions, energy savings, capacity savings, public health benefits, customer benefits, state GDP growth, job growth, and long-term growth.

(for additional detail, see PowerPoint presentation)

Agenda Item III: Group Discussion

Pre-Working Group Survey Results

Professor Mark Templeton reviewed results from a survey of Working Group 6 participants on three questions conducted before Meeting No. 4.

- **Survey Q9:** If Illinois were to put a price on carbon and other greenhouse gases through a tax or a cap-and-trade system, what information would Illinois policymakers need to have and what factors would they need to take into consideration before developing and implementing such a system?
- **Survey Q9 Responses:**
 - Information Needed:
 - Data
 - “Optimal” level of emissions.
 - IPA’s definition of “environmental justice communities”.

- Current availability of emissions inventory data and monitoring systems.
 - Social and Economic Costs/Benefits
 - Social, economic, public health, and environmental costs/benefits of state carbon price?
 - Including damage from emissions and costs of abatement.
 - Target levels of reductions.
 - Other States
 - Lessons from California and RGGI.
 - Jurisdiction on emissions of generating assets in other states.
 - Similar regulatory regimes in other regions/states.
- Regulatory Structure Issues:
 - Sufficient tax level/price to drive reductions/investments.
 - What activities/geographic area would a cap/tax cover?
 - Integration into PJM/MISO energy markets.
 - Preventing leakage.
 - Advantages of tax vs. cap and trade (certainty?)
 - Tight cap vs. lax cap.
 - Social Cost of Carbon.
 - Cost established in FEJA.
 - Prices in RGGI and CA low relative to SCC.
 - Market system vs. estimating cost.
 - How will the program interact with other states?
 - State boundaries.
 - Out of state generation.
 - Better to join existing program than start from scratch?
 - Who implements/administers the program?
 - Who collects/distributes revenue, and to where?
- Economic Issues:

- What is the price?
 - How is it determined?
 - How to ensure desired reductions?
 - Which customer groups will pay and how much?
 - Effective rate on various entities
 - Impact on IL economy/competitiveness generally.
 - Impact on energy intensive industries.
 - Impact on IL coal.
 - What is the effective tax rate on various entities?
 - How will public sector entities bear tax?
 - How will disadvantaged populations bear tax?
 - Equity/environmental justice.
 - Who gets revenue?
 - Environmental Issues:
 - Impact on existing zero emissions standard and RPS.
 - Impact of specific sectors (transportation) on carbon emissions.
 - Encourage zero-carbon generation instead of tax.
 - Electrification of transportation, heating, industry, etc. needed for deep decarbonization.
 - Legacy issues associated with coal.
 - Spending the Revenue:
 - Refunds to customers (to offset higher costs).
 - Investments in energy efficiency/clean energy technology.
 - Targeting funds in environmental justice communities.
 - General revenue.
- **Survey Q10:** If there are pollution issues that need to be addressed in addition to carbon and other greenhouse gases, what are those pollution issues and how should they be addressed?
- **Survey Q10 Responses:**

- Types of Pollution:
 - Water and solid wastes.
 - Hazardous air pollutants (mercury).
 - Criteria air pollutants (particulates, ozone, SO₂, NO_x).
 - Lifecycle impacts of renewables/storage.
 - Embedded carbon brought into IL.
 - Environmental externalities.
 - Air pollution from trucks in low-income neighborhoods.
- Mechanisms to Address:
 - Market programs.
 - Utilities/RTOs prioritizing clean generation over dirty.
 - Recycling/disposal policies for generation/storage.
 - Phase out diesel generation in favor of backup storage.
 - Focus on emissions that have measurable health impacts with CO₂ reductions as side benefit.

Facilitated Breakout Discussions

Working Group 6 participants were divided into three breakout discussion groups to address three additional discussion questions. The questions were discussed internally by each group before being reported out to the entire working group for further discussion.

- **Discussion Q1:** Given the considerations required in establishing a system for pricing carbon emissions, what are the benefits Illinois might expect from such an approach?
- **Discussion Q1 Responses:**

Group 1

- Fund innovation, develop cheaper, globally scale-able technologies to maximize climate benefits.
- Create benchmark for getting new technologies into market.
- Reaching into other sectors of economy beyond energy.
- Make people aware of carbon impacts.

- Opportunities for collaboration.

Group 2

- Lower emissions.
 - Close coal plants.
 - Cleaner air/water.
- More jobs/economic development.
- Benefits for low-income, environmental justice communities.
- New revenue stream for state.
- Pollution reductions.
- Achieving carbon reductions through market.
- Increase overall energy efficiency.
- More renewable energy.
- Ability to retain nuclear plants and jobs.
- Integration of carbon strategy with other regulatory regimes (e.g. ZECs).
- Economically efficient way to reduce carbon emissions.
- Consumer benefits.
- Public health benefits.
- Economic competitiveness benefits for Illinois.

Group 3

- Happier people
 - Wildlife.
- Right side of history/reputational benefits.
- Improved public health.
- Less dependence on fossil fuels.
- Cleaner air.
- Carbon reductions.
- Health benefits.
- Economic development.
- Investment in cleaner generation.

- Cost savings.
- Opportunities for regional approaches and benefits.
- Reduced emissions, not just CO2.
- Virtuous cycle of benefits: energy efficiency, EV technology.
- More incentives for consumers.
- **Discussion Q2:** What are the potential challenges to Illinois adopting such an approach?
- **Discussion Q2 Responses:**

Group 1

- Depend on what sector is covered.
- Costs of program borne by different sectors, consumers.
- Impact on Illinois competitiveness
- Adverse impact on low-income/disadvantaged populations.
- Who makes rules? (General Assembly? Someone else?)
- Recognize local air benefits in Illinois if other states don't do same.
- Coordinating with RTOs.
- Potential misuse of revenues.

Group 2

- Regional problems: leakage, coordination with regional markets/other states.
 - Integrating with regional power markets.
 - Leakage impact on regional RTOs.
- Potential political challenges with allocating money.
- Political will to create and maintain system.
- Displaced workers.
- Mechanisms for working outside energy sector.
- Integrating price on carbon with policies targeted at similar goals (e.g. RPS, etc.).
- Keeping Illinois economically competitive.
- Determining the price on carbon.
- Negatively affected stakeholders, like coal companies and workers.
 - Worker dislocations.

- Both the mines and the power plants.
 - Carbon-dependent industries.
 - Competitiveness.
- Ensuring the policy is equitable for low-income and environmental justice communities.
- Increased energy costs.
- Determining which sectors participate.

Group 3

- Time.
- Understanding/education/public perception (for consumers, stakeholders, legislators).
- Agreement on approach.
- How to charge/collect revenue.
- Administration costs/implementation.
- Impact on other industries.
- Potential political backlash.
- Equity.
- Leakage.
- Federal government obstacles.
- Lack of enthusiasm/regional momentum.
- Lack of support from other states/federal government.
- Perceived or real negative correlation with jobs/local economics/tax base.
- Impact on fuel diversity.
- Customer rate impacts.
- Community impacts.
- Impact on state economy.
- Legal obstacles, e.g. jurisdiction, authority.

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- Difficulty measuring on-site reductions

- Potential increases?
 - Identifying local benefits vs. system benefits.
- **Discussion Q3:** How can these challenges be addressed?
- **Discussion Q3 Responses:**

Group 1

- Start with one sector before branching out.
- Keeping process dynamic instead of static.
 - Maintaining inclusive process.
- Setting clear policy goals.
- Taking advantage of existing systems (i.e. RGGI).
- Incorporation of states nearby to avoid leakage.
- Identify key stakeholders to get buy-in.

Group 2

- Depends on choice of mechanism.
- Join federal/continental program?
 - More liquidity, avoid need for border adjustments.
 - Compacts with other states.
- Question of what to do with money.
- Investing in environmental justice communities and displaced workers.
- Collaborating with frontline communities and environmental justice groups in creating policy.
- Use independent entity to monitor program/provide metrics.
- Provide education and outreach – why is program happening, who’s impacted?
- Allow non-carbon trading.
- Integrate program with RPS, REC markets.
- Using new revenue to deal with the created challenges:
 - Revenue to the public.
 - Revenue to dislocated workers.
 - Job retraining programs.

- Ensure customer impact is mitigated.
- Use revenue to reduce tax burdens.
- Learn from other states which have adopted a carbon policy.

Group 3

- Take a regional, broad-based approach.
- Consider collective and individual customer impacts.
- Base policies on economic data.
- Note economic benefits to get people on board.
- Education.
- Join RGGI.
- Look to other countries/states for successful strategies.
- Promote market-based solutions that meet cost/benefit test.
- Thorough stakeholder discussion.
- Enhance interaction between state agencies.
- Provide clear description of how revenues will be used.
 - Transparency.
- Clarity on goals/boundaries of program.
- Coordinate with RTOs.
- Transition planning for communities impacted in negative way.
- Encourage technology and innovation.
- Use metrics that include local impacts.

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- Involve affected communities in decision making early and often.
- Avoid allowing certain facilities to enter markets.

Agenda Item IV: Discussion of Draft Chapter/Outline

Following the final breakout session, Working Group 6 Facilitator Mary Gade circulated a draft of the first half of Working Group 6's chapter for the final NextGrid report, and she asked participants of the working group to provide initial comments by Monday, August 6, with more

substantial comments due Monday, August 13. She indicated that the second half draft would be circulated after receiving input on the first half.

The draft of the first half of the chapter is available on the NextGrid website.

Agenda Item V: Public Comment

At the conclusion of the discussion, Working Group 6 Facilitator Mary Gade invited members of the public present at the working group meeting and on the telephone so provide comments.

No members of the public provided comments at the meeting.

Agenda Item VI: Next Steps

Working Group 6 Facilitator Mary Gade concluded the meeting and thanked members of Working Group 6 for their participation in the NextGrid process.

Meeting Adjourned.