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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1505

03/05/2015 Authored by Newberger and Gruenhagen

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act
1.2 relating to energy; amending the state greenhouse gas emissions goals; amending
1.3 Minnesota Statutes 2014, sections 3.8851, subdivision 3; 116J.437, subdivision
1.4 1; 216B.2422, subdivisions 2c, 4; 216H.02, subdivision 1; 216H.021, subdivision
1.5 1; 216H.07; repealing Minnesota Statutes 2014, section 216H.02, subdivisions
1.6 2, 3, 4, 5, 6.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2014, section 3.8851, subdivision 3, is amended to read:

1.9 Subd. 3. **Duties.** (a) The commission shall continuously evaluate the energy policies
1.10 of this state and the degree to which they promote an environmentally and economically
1.11 sustainable energy future. The commission shall monitor the state's progress in achieving
1.12 its goals to develop renewable sources of electric energy under section 216B.1691,
1.13 subdivision 2a, and the progress of energy-related sectors in reducing greenhouse gas
1.14 emissions under the state's greenhouse gas emissions-reductions ~~goals~~ goal established in
1.15 section 216H.02, subdivision 1. The commission may review proposed energy legislation
1.16 and may recommend legislation. The commission shall when feasible solicit and consider
1.17 public testimony regarding the economic, environmental, and social implications of state
1.18 energy plans and policies. Notwithstanding any other law to the contrary the commission's
1.19 evaluations and reviews under this subdivision shall include new and existing technologies
1.20 for nuclear power.

1.21 (b) The commission may study, analyze, hold hearings, and make legislative
1.22 recommendations regarding the following issues:

- 1.23 (1) the generation, transmission, and distribution of electricity;
- 1.24 (2) the reduction of greenhouse gas emissions;
- 1.25 (3) the conservation of energy;

- 2.1 (4) alternative energy sources available to replace dwindling fossil fuel and other
 2.2 nonrenewable fuel sources;
- 2.3 (5) the development of renewable energy supplies;
- 2.4 (6) the economic development potential associated with issues described in clauses
 2.5 (1) to (5); and
- 2.6 (7) other energy-related subjects the commission finds significant.

2.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.8 Sec. 2. Minnesota Statutes 2014, section 116J.437, subdivision 1, is amended to read:

2.9 Subdivision 1. **Definitions.** (a) For the purpose of this section, the following terms
 2.10 have the meanings given.

2.11 (b) "Green economy" means products, processes, methods, technologies, or services
 2.12 intended to do one or more of the following:

2.13 (1) increase the use of energy from renewable sources, including through achieving
 2.14 the renewable energy standard established in section 216B.1691;

2.15 (2) achieve the statewide energy-savings goal established in section 216B.2401,
 2.16 including energy savings achieved by the conservation investment program under section
 2.17 216B.241;

2.18 (3) achieve the greenhouse gas emission reduction ~~goals~~ goal of section 216H.02,
 2.19 subdivision 1, including through reduction of greenhouse gas emissions, as defined in
 2.20 section 216H.01, subdivision 2, or mitigation of the greenhouse gas emissions through,
 2.21 but not limited to, carbon capture, storage, or sequestration;

2.22 (4) monitor, protect, restore, and preserve the quality of surface waters, including
 2.23 actions to further the purposes of the Clean Water Legacy Act as provided in section
 2.24 114D.10, subdivision 1;

2.25 (5) expand the use of biofuels, including by expanding the feasibility or reducing the
 2.26 cost of producing biofuels or the types of equipment, machinery, and vehicles that can
 2.27 use biofuels, including activities to achieve the petroleum replacement goal in section
 2.28 239.7911; or

2.29 (6) increase the use of green chemistry, as defined in section 116.9401.

2.30 For the purpose of clause (3), "green economy" includes strategies that reduce carbon
 2.31 emissions, such as utilizing existing buildings and other infrastructure, and utilizing mass
 2.32 transit or otherwise reducing commuting for employees.

2.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.1 Sec. 3. Minnesota Statutes 2014, section 216B.2422, subdivision 2c, is amended to read:

3.2 Subd. 2c. **Long-range emission reduction planning.** Each utility required to file a
 3.3 resource plan under subdivision 2 shall include in the filing a narrative identifying and
 3.4 describing the costs, opportunities, and technical barriers to the utility continuing to make
 3.5 progress on its system toward achieving the state greenhouse gas emission reduction ~~goals~~
 3.6 goal established in section 216H.02, subdivision 1, and the technologies, alternatives, and
 3.7 steps the utility is considering to address those opportunities and barriers.

3.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.9 Sec. 4. Minnesota Statutes 2014, section 216B.2422, subdivision 4, is amended to read:

3.10 Subd. 4. **Preference for renewable energy facility.** The commission shall not
 3.11 approve a new or refurbished nonrenewable energy facility in an integrated resource
 3.12 plan or a certificate of need, pursuant to section 216B.243, nor shall the commission
 3.13 allow rate recovery pursuant to section 216B.16 for such a nonrenewable energy facility,
 3.14 unless the utility has demonstrated that a renewable energy facility is not in the public
 3.15 interest. The public interest determination must include whether the resource plan helps
 3.16 the utility achieve the greenhouse gas reduction ~~goals~~ goal under section 216H.02, the
 3.17 renewable energy standard under section 216B.1691, or the solar energy standard under
 3.18 section 216B.1691, subdivision 2f.

3.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.20 Sec. 5. Minnesota Statutes 2014, section 216H.02, subdivision 1, is amended to read:

3.21 Subdivision 1. **Greenhouse gas emissions-reduction goal.** It is the goal of the state
 3.22 to reduce statewide greenhouse gas emissions ~~across all sectors producing those emissions~~
 3.23 ~~to a level at least 15 percent below 2005 levels by 2015, to a level at least 30 percent below~~
 3.24 ~~2005 levels by 2025, and to a level at least 80 percent below 2005 levels by 2050.~~ The levels
 3.25 ~~shall be reviewed based on the climate change action plan study~~ in an affordable manner.

3.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.27 Sec. 6. Minnesota Statutes 2014, section 216H.021, subdivision 1, is amended to read:

3.28 Subdivision 1. **Commissioner to establish reporting system and maintain**
 3.29 **inventory.** In order to measure the progress in meeting the ~~goals~~ goal of section 216H.02,
 3.30 subdivision 1, and to provide information to develop strategies to achieve those goals,
 3.31 the commissioner of the Pollution Control Agency shall establish a system for reporting
 3.32 and maintaining an inventory of greenhouse gas emissions. The commissioner must

4.1 consult with the chief information officer of the Office of MN.IT Services about system
 4.2 design and operation. Greenhouse gas emissions include those emissions described in
 4.3 section 216H.01, subdivision 2.

4.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.5 Sec. 7. Minnesota Statutes 2014, section 216H.07, is amended to read:

4.6 **216H.07 EMISSIONS-REDUCTION ATTAINMENT; POLICY**
 4.7 **DEVELOPMENT PROCESS.**

4.8 Subdivision 1. **Definition.** For the purpose of this section, "reductions" means the
 4.9 greenhouse gas emissions-reductions ~~goals~~ goal specified in section 216H.02, subdivision
 4.10 1.

4.11 Subd. 2. **Purpose.** This section is intended to create a nonexclusive, regular,
 4.12 mandated process for the state to develop policies to attain the greenhouse gas reduction
 4.13 ~~goals~~ goal specified in section 216H.02.

4.14 Subd. 3. **Biennial report.** (a) By January 15 of each odd-numbered year, the
 4.15 commissioners of commerce and the Pollution Control Agency shall jointly report to the
 4.16 chairs and ranking minority members of the legislative committees with primary policy
 4.17 jurisdiction over energy and environmental issues the most recent and best available
 4.18 evidence identifying the level of reductions already achieved and the ~~level necessary to~~
 4.19 ~~achieve the~~ prospects for achieving future reductions ~~timetable in section 216H.02.~~

4.20 (b) The report must be in easily understood nontechnical terms.

4.21 Subd. 5. **Reduction principles.** Legislation proposed under subdivision 4 must be
 4.22 based on the following principles:

4.23 (1) the greenhouse gas emissions-reduction ~~goals~~ goal specified in section 216H.02,
 4.24 subdivision 1, must be ~~attained~~ pursued;

4.25 (2) ~~the reductions must be attained on a schedule that keeps pace with the reduction~~
 4.26 ~~timetable required by section 216H.02, subdivision 1;~~

4.27 (3) conservation, including ceasing some activities, doing some activities less, and
 4.28 doing some activities more energy efficiently, is the first choice for reduction;

4.29 (4) ~~(3)~~ public education is a key component;

4.30 (5) ~~(4)~~ all levels of government should lead by example;

4.31 (6) ~~(5)~~ strategies that may lead to economic dislocation should be phased in and
 4.32 should be coupled with strategies that address the dislocation; and

5.1 ~~(7)~~ (6) there must be coordination with other federal and regional greenhouse gas
5.2 emissions-reduction requirements so that the state benefits and is not penalized from its
5.3 reduction activities.

5.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.5 Sec. 8. **REPEALER.**

5.6 Minnesota Statutes 2014, section 216H.02, subdivisions 2, 3, 4, 5, and 6, are repealed.

5.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

216H.02 GREENHOUSE GAS EMISSIONS CONTROL.

Subd. 2. **Climate change action plan.** By February 1, 2008, the commissioner of commerce, in consultation with the commissioners of the Pollution Control Agency, the Housing Finance Agency, and the Departments of Natural Resources, Agriculture, Employment and Economic Development, and Transportation, and the chair of the Metropolitan Council, shall submit to the legislature a climate change action plan that meets the requirements of this section.

Subd. 3. **Stakeholder process.** The plan required by subdivision 2 must be developed through a structured, broadly inclusive stakeholder-based review of potential policies and initiatives that will reduce statewide greenhouse gas emissions from a broad range of sources and activities. The commissioner shall engage a nationally recognized independent expert entity to conduct the stakeholder process. The report of the stakeholder process must form the basis for the plan submitted by the commissioner under subdivision 2.

Subd. 4. **General elements of the plan.** The plan must:

(1) estimate 1990 and 2005 greenhouse gas emissions in the state and make projections of emissions in 2015, 2025, and 2050;

(2) identify, evaluate, and integrate a broad range of statewide greenhouse gas reduction options for all emission sectors in the state;

(3) assess the costs, benefits, and feasibility of implementing the options;

(4) recommend an integrated set of reduction options and strategies for implementing the options that will achieve the goals in subdivision 1, including analysis of the associated costs and benefits to Minnesotans;

(5) estimate the statewide greenhouse gas emissions reductions anticipated from implementation of existing state policies;

(6) recommend a system to require the reporting of statewide greenhouse gas emissions, identifying which facilities must report, and how emission estimates should be made; and

(7) evaluate the option of exempting a project from the prohibitions contained in section 216H.03, subdivision 3, if the project contributes a specified fee per ton of carbon dioxide emissions emitted annually by the project, the proceeds of which would be used to fund permanent, quantifiable, verifiable, and enforceable reductions in greenhouse gas emissions that would not otherwise have occurred.

Subd. 5. **Specific plan requirements.** (a) The plan must evaluate and recommend interim goals as steps to achieve the goals in subdivision 1.

(b) The plan must determine the feasibility, assess the costs and benefits, and recommend how the state could adopt a regulatory system that imposes a cap on the aggregate air pollutant emissions of a group of sources, requires those subject to the cap to own an allowance for each ton of the air pollutant emitted, and allows for market-based trading of those allowances. The evaluation must contain an analysis of the state implementing a cap and trade system alone, in coordination with other states, and as a requirement of federal law applying to all states. The plan must recommend the parameters of a cap and trade system that includes a cap that would prevent significant increases in greenhouse gas emissions above current levels with a schedule for lowering the cap periodically to achieve the goals in subdivision 1 and interim goals recommended under paragraph (a). The plan must consider cost savings and cost increases on energy consumers in the state.

(c) The plan must include recommendations for improvements in the emissions inventory and recommend whether the state should require greenhouse gas emissions reporting from specific sources and, if so, which sources should be required to report. The plan must also evaluate options for an emissions registry after reviewing registries in other states and recommend a registry that will insure the greatest opportunity for Minnesota entities to obtain marketable credits.

Subd. 6. **Regional activities.** The state must, to the extent possible, with other states in the Midwest region, develop and implement a regional approach to reducing greenhouse gas emissions from activities in the region, including consulting on a regional cap and trade system. The commissioner of commerce shall coordinate Minnesota's regional activities under this subdivision and report to the legislative committees in the senate and house of representatives with jurisdiction over energy and environmental policy by February 1, 2008, and February 1, 2009, on the progress made and recommendations for further action. The commissioner of commerce, as part of the activities required under this subdivision, must meet with responsible officials from bordering states, other states in the Midwest region, and states in other regions of the country to:

(1) determine whether other states are interested in establishing and cooperating in a multistate or regional greenhouse gas cap and trade allowance program;

APPENDIX

Repealed Minnesota Statutes: 15-2764

- (2) identify and prepare an inventory of greenhouse gas reduction resources available to support a multistate or regional greenhouse gas cap and trade allowance program;
- (3) seek cooperation on a regional inventory of greenhouse gas emission sources; and
- (4) prepare an inventory of available renewable energy resources within a state or region.

The commissioner of commerce must develop a definition of scope of this regional activity that is in addition to the components described in clauses (1) to (4). The commissioner must report on the additional scoping definitions to the chairs and ranking minority members of the legislative committees with jurisdiction over energy and environmental finance and policy on or before the commencement of the 2008 regular legislative session.