

1.1 A bill for an act
1.2 relating to environment; establishing the Legislative Greenhouse Gas Advisory
1.3 Group; requiring studies and reports to the legislature regarding cap and trade
1.4 program for greenhouse gases; appropriating money.

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

1.6 Section 1. **TITLE.**

1.7 This act may be cited as the Green Solutions Act of 2008.

1.8 Sec. 2. **MIDWESTERN GREENHOUSE GAS ACCORD.**

1.9 (a) By January 15, 2009, the commissioner of commerce and the commissioner of
1.10 the Pollution Control Agency shall submit a report to the chairs and ranking minority
1.11 members of the senate and house of representatives committees with primary jurisdiction
1.12 over energy policy, business and economic development policy, environmental policy and
1.13 finance, and transportation policy regarding:

1.14 (1) the status of the development of a model rule establishing a regional cap and
1.15 trade program under the Midwestern Greenhouse Gas Accord;

1.16 (2) implementation mechanisms in the model rule, including required legislation;

1.17 (3) whether the regional cap and trade program will operate in a time frame that will
1.18 allow Minnesota to meet the greenhouse gas reductions goals under Minnesota Statutes,
1.19 section 216H.02, subdivision 1;

1.20 (4) an evaluation of legislation enacted or pending in Congress to implement a
1.21 federal cap and trade program and whether implementation of a regional program is
1.22 consistent with a federal program;

(5) the economic, environmental, and public health impact study under section 3, subdivision 2; and

(6) a potential cap and trade revenue study under section 3, subdivision 3.

If a model rule in accord with the state's emissions reduction goals is not yet ready for adoption under the Midwestern Greenhouse Gas Accord, or is unlikely to be adopted, the report must identify options for Minnesota to supplement the regional agreement with state policies, to join another regional cap and trade program, or to implement a cap and trade program in Minnesota alone.

(b) The Legislative Greenhouse Gas Accord Advisory Group is composed of six members of the legislature, appointed as follows:

(1) three members of the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration, including one member of the minority; and

(2) three members of the house of representatives appointed by the speaker of the house of representatives, including one member of the minority party.

The legislative advisory group serves in an advisory capacity to the governor's Midwestern Greenhouse Gas Accord stakeholder group, and must receive regular briefings from that group, in addition to participating and offering advice in meetings where regional negotiations take place with respect to the accord or to any other energy issue being analyzed by an entity created by the Midwestern Governors Association at its November 2007 Energy Summit. The appointing authorities under this paragraph must complete their appointments by June 1, 2008. The advisory group expires when the Midwestern Greenhouse Gas Accord stakeholder group is dissolved.

(c) Any cap and trade agreements entered into under the Midwestern Greenhouse Gas Accord are not effective in Minnesota until approved by a law enacted by the legislature.

Sec. 3. ECONOMIC, ENVIRONMENTAL, AND PUBLIC HEALTH IMPACT AND POTENTIAL REVENUES STUDIES.

Subdivision 1. Submission of studies. By January 15, 2009, the commissioner of commerce and the commissioner of the Pollution Control Agency shall submit to the chairs and ranking minority members of the senate and house of representatives committees with primary jurisdiction over business and economic development, energy, and environmental policy and finance the two studies, prepared by expert consultants, described in this section.

Subd. 2. Economic, environmental, and public health impact study. The commissioner of commerce shall arrange with the Midwestern Governors Association for a study to be conducted by expert consultants that analyzes the economic, environmental,

and public health costs and benefits to Minnesota of a cap and trade program. The study must consider the impact of a cap and trade program on individual industrial sectors subject to the program and on the state economy and consumers, and how expenditures of any auction revenues on the measures identified in subdivision 4 can reduce the economic costs and increase the economic, environmental, and public health benefits. The study must also include:

(1) an estimate of allowance prices and rates of investment by entities subject to a cap and trade program in infrastructure and equipment to reduce emissions of greenhouse gases over time;

(2) estimates of the impact of the program on energy costs, the impact of energy cost changes on businesses and households, and recommendations on how to avoid regressive impacts;

(3) an analysis of options to mitigate adverse competitive impacts on state businesses and methods to reduce disruptive impacts on workers, businesses, and consumers;

(4) an analysis of various mechanisms for protecting jobs in energy intensive industries subject to competition from outside the Midwestern Greenhouse Gas Accord region, including mining, pulp and paper, petroleum refining, steel, and chemicals, and an analysis of possible mechanisms to account for the greenhouse gas emissions associated with the production and transportation of imported goods;

(5) an analysis of the energy cost impacts on homes and businesses, job growth, new business development, energy balance of trade, and environmental and public health co-benefits;

(6) an analysis of various mechanisms to provide for equity to communities at risk of disproportionate economic or environmental impacts; and

(7) an analysis of the effect of adopting a cap and trade program on the level of foreign and domestic investment in Minnesota.

The study must consider the data and policy recommendations developed through the Minnesota Climate Change Advisory Group as well as the growing literature related to reducing greenhouse gas emissions.

Subd. 3. Potential cap and trade revenue study. The commissioner of commerce shall arrange with the Midwestern Governors Association for a study to be conducted by expert consultants on potential revenues to the state from a cap and trade program and how revenues could be spent to mitigate economic disparities resulting from implementation of a cap and trade program. The study must include:

(1) projections of likely revenues if greenhouse gas emission allowances are auctioned;

(2) a detailed estimate of the degree to which different levels of expenditures of auction proceeds on the options listed under subdivision 4, clauses (1) through (7), would:

(i) reduce greenhouse gas emissions;
(ii) reduce economic costs to industry and households;
(iii) yield jobs and other economic benefits by stimulating economic activity, promoting the growth of new businesses, reducing the amount of money exported from the state to purchase fossil fuels, and other means;

(iv) result in environmental and public health co-benefits by reducing pollutants other than greenhouse gases, improving habitat, or other means; and

(v) otherwise meet the goals identified in subdivision 5;

(3) a discussion of the potential for allowances allocated by a cap and trade program to lead to unfair economic advantage or windfall profits rather than be used to reduce consumer prices; and

(4) options for criteria that decision makers can use to determine how to allocate expenditures among the spending options listed under subdivision 4, balancing the goals set forth in subdivision 5.

Subd. 4. **Expenditures to be studied.** The studies required under subdivisions 2 and 3 must consider the impacts of the following types of expenditures:

(1) direct per capita rebates to Minnesotans;

(2) grants and incentives to consumers to invest in energy efficiency and utilize renewable energy sources or in other technologies, products, or practices that help Minnesotans reduce energy costs, energy consumption, and greenhouse gas emissions, including incentives for telecommuting;

(3) financial assistance to businesses that install technologies that reduce greenhouse gas emissions, targeting energy-intensive industries facing competitors not subject to comparable regulation, including, but not limited to, mining, pulp and paper, refining, chemicals, and steel;

(4) investments in public infrastructure that reduce greenhouse gas emissions;

(5) investments in worker training and retraining programs;

(6) incentives for terrestrial and geologic carbon sequestration; and

(7) at least one scenario in which a majority of expenditures is directed to uses under clauses (1) and (2).

Subd. 5. **Study criteria.** The study required under subdivision 2 must determine the extent to which expenditures on the measures identified in subdivision 4 assist Minnesota in its transition to a low greenhouse gas-emitting economy and increase the economic

gains and reduce the dislocating impacts of the transition. Specifically, the study must assess the extent to which expenditures meet the following goals:

- (1) produce cost-effective emission reductions;
- (2) increase sustainable economic development, job creation, and job growth;
- (3) reduce greenhouse gas emissions in sectors that do not participate in a cap and trade program;
- (4) reduce disruptive economic impacts of the transition on workers, businesses, and consumers;
- (5) equitably distribute the costs and benefits among state residents, communities, and economic sectors;
- (6) assist low-income and other consumers to reduce the costs associated with greenhouse gas emissions; and
- (7) protect and enhance public health, environmental quality, wildlife habitat, and the state's natural resources.

Sec. 4. **GOVERNANCE STUDY.**

The commissioner of commerce shall request the Board of Regents of the University of Minnesota to prepare a study to be submitted by January 15, 2009, to the chairs and ranking minority members of the senate and house of representatives committees with primary jurisdiction over business and economic development, energy, and environmental policy and finance on governance options for determining expenditures of potential revenue to the state resulting from a cap and trade program. The study must examine:

- (1) the role of the legislature, citizens, technical experts, and state agencies in decisions on allocating funds; and
- (2) innovative decision-making structures and processes, including the Legislative-Citizen Commission on Minnesota Resources, and other examples in Minnesota and other states and countries that may offer useful models.

Sec. 5. **APPROPRIATION.**

Of the amounts appropriated from the special revenue fund in the second year to the commissioner of commerce under Laws 2007, chapter 57, article 2, section 3, subdivision 6, clause (7), up to \$500,000 is for the economic impact and potential revenue studies under section 3, and the governance study under section 4. The commissioner shall provide funding from this appropriation through a contract with the Midwestern Governors Association for grants to technical experts to complete the studies required

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- 6.1 under section 3. The commissioner shall transfer up to \$75,000 to the University of
- 6.2 Minnesota for the study required under section 4.