

A bill for an act

relating to environment; repealing state goals for greenhouse gas emission reductions; amending Minnesota Statutes 2010, sections 3.8851, subdivision 3; 116J.437, subdivision 1; 216H.021, subdivision 1; repealing Minnesota Statutes 2010, sections 216C.055; 216H.02; 216H.07.

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

Section 1. Minnesota Statutes 2010, section 3.8851, subdivision 3, is amended to read:

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

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

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

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(4) alternative energy sources available to replace dwindling fossil fuel and other nonrenewable fuel sources;

(5) the development of renewable energy supplies;

(6) the economic development potential associated with issues described in clauses (1) to (5); and

(7) other energy-related subjects the commission finds significant.

Sec. 2. Minnesota Statutes 2010, section 116J.437, subdivision 1, is amended to read:

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

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

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

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

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

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

(5) expand the use of biofuels, including by expanding the feasibility or reducing the cost of producing biofuels or the types of equipment, machinery, and vehicles that can use biofuels, including activities to achieve the biofuels 25 by 2025 initiative in sections 41A.10, subdivision 2, and 41A.11; or

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

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

Sec. 3. Minnesota Statutes 2010, section 216H.021, subdivision 1, is amended to read:

Subdivision 1. **Commissioner to establish reporting system and maintain inventory.** In order to measure ~~the progress in meeting the goals of section 216H.02,~~

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3.1 ~~subdivision 1, and to provide information to develop strategies to achieve those goals~~
3.2 greenhouse gas emissions, the commissioner of the Pollution Control Agency shall
3.3 establish a system for reporting and maintaining an inventory of greenhouse gas
3.4 emissions. The commissioner must consult with the chief information officer of the Office
3.5 of Enterprise Technology about system design and operation. Greenhouse gas emissions
3.6 include those emissions described in section 216H.01, subdivision 2.

3.7 Sec. 4. **REPEALER.**

3.8 Minnesota Statutes 2010, sections 216C.055; 216H.02; and 216H.07, are repealed.

3.9 Sec. 5. **EFFECTIVE DATE.**

3.10 Sections 1 to 4 are effective the day following final enactment.

216C.055 KEY ROLE OF SOLAR AND BIOMASS RESOURCES IN PRODUCING THERMAL ENERGY.

The annual legislative proposals required to be submitted by the commissioners of commerce and the Pollution Control Agency under section 216H.07, subdivision 4, must include proposals regarding the use of solar energy and the combustion of grasses, agricultural wastes, trees, and other vegetation to produce thermal energy for heating commercial, industrial, and residential buildings and for industrial processes if the commissioners determine that such policies are appropriate to achieve the state's greenhouse gas emissions-reduction goals. No legal claim against any person is allowed under this section. This section does not apply to the combustion of municipal solid waste or refuse-derived fuel to produce thermal energy. For purposes of this section, removal of woody biomass from publicly owned forests must be consistent with the principles of sustainable forest management.

216H.02 GREENHOUSE GAS EMISSIONS CONTROL.

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

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

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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;
- (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.

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

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

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

Subd. 3. **Biennial reduction progress report.** By January 15 of each odd-numbered year, the commissioners of commerce and the Pollution Control Agency shall jointly report to the chairs and ranking minority members of the legislative committees with primary policy jurisdiction over energy and environmental issues the most recent and best available evidence identifying the level of reductions already achieved and the level necessary to achieve the reductions timetable in section 216H.02. The report must be in easily understood nontechnical terms.

Subd. 4. **Annual legislative proposal.** The commissioners of commerce and the Pollution Control Agency shall annually by January 15 provide to the chairs of the legislative committees with primary policy jurisdiction over energy and environmental issues proposed legislation the commissioners determine appropriate to achieve the reductions. The legislation must be based on the principles in subdivision 5. If the commissioners determine no legislation is appropriate, they shall report that determination to the chairs along with an explanation of the determination.

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

- (1) the greenhouse gas emissions-reduction goals specified in section 216H.02, subdivision 1, must be attained;
- (2) the reductions must be attained on a schedule that keeps pace with the reduction timetable required by section 216H.02, subdivision 1;
- (3) conservation, including ceasing some activities, doing some activities less, and doing some activities more energy efficiently, is the first choice for reduction;
- (4) public education is a key component;
- (5) all levels of government should lead by example;
- (6) strategies that may lead to economic dislocation should be phased in and should be coupled with strategies that address the dislocation; and

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