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February 1, 2008

The Honorable Ellen R. Anderson  
State Senator  
75 Rev. Dr. Martin Luther King Jr. Blvd., Room 120  
St. Paul, MN 55155-1606

Dear Senator Anderson!

This letter provides an update of activities by Minnesota Governor Tim Pawlenty's Administration to reduce greenhouse gas emissions in Minnesota and the Midwest region pursuant to Minnesota Statute §216H.02, subd. 6.<sup>1</sup> As discussed below, Governor Pawlenty has met with governors of other Midwest states and the Premier of Manitoba to establish a regional strategy to achieve energy security and reduce greenhouse gas emissions that cause global warming.

On November 15 and 16, 2007 the Midwest Energy Security and Climate Stewardship Summit (Summit) was held by the Midwestern Governors Association<sup>2</sup> (MGA). The Summit was co-hosted by Governor Pawlenty, Chair of the National Governors Association, and Wisconsin Governor Jim Doyle, Chair of the MGA. At the end of the two day Summit, six Midwest Governors<sup>3</sup> and the Premier of Manitoba signed the *Midwestern Greenhouse Gas Reduction Accord*<sup>4</sup> (Midwestern Accord). Under the Midwestern Accord, members agree to:

- establish greenhouse gas reduction targets and timeframes consistent with MGA member states' targets;
- develop a market-based and multi-sector cap-and-trade mechanism to help achieve those reduction targets;
- establish a system to enable tracking, management and crediting for entities that reduce greenhouse gas emissions;<sup>5</sup> and

<sup>1</sup> A full written copy is included as Attachment 1. A full copy of Minn. Statute §216H can be viewed at: [http://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=STAT\\_CHAP\\_SEC&year=2007&section=216H.02](http://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=STAT_CHAP_SEC&year=2007&section=216H.02).

<sup>2</sup> Information regarding the Midwest Governors Association can be view at: <http://www.midwesterngovernors.org/govenergygov.htm>

<sup>3</sup> The Governors of Minnesota, Wisconsin, Indiana, Iowa, Michigan, Kansas, as well as the Premier of the Canadian Province of Manitoba, signed the Accord as full participants; the Governors of Indiana, Ohio, and South Dakota joined the agreement as observers to participate in the development of the cap and trade system.

<sup>4</sup> A full copy of the Midwest Greenhouse Gas Reduction Accord can be viewed at: <http://www.wisgov.state.us/docview.asp?docid=12497>.

<sup>5</sup> Prior to the Summit, an in-depth study and data analysis of greenhouse gas (GHG) emissions was performed by World Resources Institute (WRI) for eight Midwest U.S. States: Minnesota, Illinois, Indiana, Iowa, Michigan, Missouri, Ohio and Wisconsin. The study is entitled *Charting the Midwest: An Inventory and Analysis of Greenhouse Gas Emissions in America's Heartland* published in October 2007. A copy of the WRI report can be viewed at: <http://dnr.wi.gov/environmentprotect/gtfgw/document/charting-the-midwest.pdf>.

- develop and implement additional steps as needed to achieve the reduction targets, such as a low-carbon fuel standards and regional incentives and funding mechanisms.

The Midwestern Accord builds on existing greenhouse gas reduction efforts in each state as well as existing regional efforts. The Midwestern Accord represents the third regional agreement<sup>6</sup> among U.S. states to collectively reduce greenhouse gas emissions. Between these three regional agreements, twenty U.S. states and two Canadian Provinces have adopted plans for reducing their greenhouse gas emissions, with another seven states and two provinces as observers to the agreements.<sup>7</sup>

In addition to the Midwestern Greenhouse Gas Reduction Accord, eight members of the MGA signed the *Energy Security and Climate Stewardship Platform for the Midwest*<sup>8</sup> (Stewardship Platform). To transition to a lower carbon energy economy, the Stewardship Platform lists the following goals:

1. Energy Efficiency Improvements – the Midwest Regional commitment is to meet at least 2 percent of regional annual retail sales of natural gas and electricity through energy efficiency improvements by 2015, and continues to achieve an additional 2 percent in efficiency improvements every year.
2. Bio-based Products and Transportation – the Midwest Regional commitment with regards to biofuels in general is to have 50 percent of the region's transportation fuels come from renewable resources by 2025, including:
  - accelerating strategies for improving the efficiency of biofuels production and use;
  - reducing fossil fuel inputs;
  - minimizing greenhouse gas (GHG) emissions;
  - decreasing water use; strengthening the existing biofuels industry; and
  - developing, demonstrating and commercializing a variety of biomass-utilizing technologies and other low-carbon advanced fuels.

There is also a regional commitment on E85, which is a goal that least 15 percent of retail stations in the region offer E85 by 2015, 20 percent by 2020, and 33 percent by 2025.

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<sup>6</sup> The two other regional agreements are the Regional Greenhouse Gas Initiative in the Northeast (found at: <http://www.rggi.org/index.htm>) and the Western Climate Initiative in the Southwest (found at: <http://www.westernclimateinitiative.org>.)

<sup>7</sup> More information regarding regional efforts can be found at: [http://www.pewclimate.org/what\\_s\\_being\\_done/in\\_the\\_states/regional\\_initiatives.cfm?preview=1](http://www.pewclimate.org/what_s_being_done/in_the_states/regional_initiatives.cfm?preview=1).

<sup>8</sup> A full copy of the Energy Security and Climate Steward Platform for the Midwest can be viewed at: <http://www.wisgov.state.us/docview.asp?docid=124975>.

The Honorable Ellen R. Anderson

February 1, 2008

Page 3

3. Renewable Electricity – the Midwest Regional commitment on renewable electricity production is to obtain at least 30 percent of the region's electricity from renewable resources by 2030.
4. Advance Coal and Carbon Capture and Storage – the Midwest Regional commitment on coal use for electricity generation is that by 2020 all new coal gasification and coal combustion plants will capture and store CO2 emissions.

Also, member MGA states signed six additional resolutions. The resolutions establish a Carbon Management Infrastructure Partnership, a Midwestern Biobased Product Procurement Program, a Transmission Adequacy Initiative, a working group to pursue a collaborative, multi-jurisdictional transmission (including renewable energy corridors) across the Midwest, a Bioenergy Permitting collaborative, and an initiative to develop a low-carbon energy transmission infrastructure.

On January 7, 2008 the MGA Energy Steering Committee, which is comprised of state representatives from the various MGA states, met in Washington D.C. to begin development of an implementation plan. At that meeting, the steering committee asked that Governor Pawlenty and Governor Doyle continue to be the co-chairs of this effort.

In sum, under the leadership of Governor Pawlenty, the Administration is actively working with governors of Midwest states and the Premier of Manitoba to establish a regional strategy to achieve energy security and reduce greenhouse gas emissions that cause global warming.

Please direct questions regarding this report to Vincent Chavez at 651-296-0404.

Sincerely,



EDWARD GARVEY

Director, Minnesota Office of Energy Security

EAG/VC/jl

Attachment



## 216H.02, Minnesota Statutes 2007

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### 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 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.

**History:** 2007 c 136 art 5 s 2

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