

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3195

DATE: April 16, 2008

Version: Third Engrossment

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Subject: Greenhouse gas emission reductions

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Overview

Laws 2007, chapter 136, article 5, required the state to develop a comprehensive plan to reduce greenhouse gas emissions by 15 percent (from 2005 levels) by 2015, 30 percent by 2025, and 80 percent by 2050. The Minnesota Climate Change Advisory Group's plan contained many recommendations, among them the implementation of a cap and trade program.

House File 3195 establishes principles for the operation of a cap and trade program to reduce greenhouse gas emissions in Minnesota. The bill sets some basic parameters that such a program should have. It also appropriates money for two studies to determine the economic impacts of a cap and trade program and analyze how expenditures from revenues resulting from the allocation of allowances could address those impacts.

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- 1** [216H.10] **Title.** Specifies that this act may be cited as the Green Solutions Act of 2008.
- 2** [216H.11] **Cap and trade program.** States that the legislature's intent is to implement a cap and trade program to achieve the greenhouse gas emissions reduction goals established in section 216H.02.
- 3** [216H.12] **Midwestern Greenhouse Gas Accord.** Requires a report from the commissioners of pollution control and commerce to the legislature by December 1, 2008, regarding the status of a model rule establishing a regional cap and trade program under the Midwestern Greenhouse Gas Accord. The report must discuss the extent to which the model

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rule allows the state to meet its emissions reduction goals. If development of a model rule is delayed or unlikely to emerge, the report must identify options for the state to join another regional program or to develop its own program.

Requires the senate and house to appoint three legislators each to an advisory team to advise the governor's Midwestern Greenhouse Gas Accord Stateholder Group on the accord or other energy issues.

Specifies that a cap and trade agreement is not effective until approved by the legislature.
[216H.13] Studies.

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Subd. 1. Governance study. Directs the University of Minnesota to issue a Request for Proposals for a study analyzing options for a decision-making structure and process to allocate expenditures from the revenues that would be realized from an auction of emission allowances. A report must be submitted to the commission by January 1, 2009 .

Subd. 2. Economic and emissions study. Directs the commissioner of commerce to issue a Request for Proposals for a study analyzing the economic, environmental, and public health costs and benefits of the implementation of a cap and trade program incorporating the principles of section 216H.11 and how expenditures from the fund can address those impacts. The study must be submitted to the legislature by January 1, 2009 , and must:

- estimate the price of allowances to facilities subject to the cap in emissions-reducing technology;
- estimate energy price impacts and how regressive impacts can be avoided;
- calculate the cost-effectiveness of additional emission-reduction actions;
- analyze ways to avoid putting facilities under the cap at a competitive disadvantage compared to competitors not subject to carbon regulation;
- present options for criteria that should be considered in making expenditures from auction proceeds; and
- estimate how the expenditure of different amounts of revenue from auction proceeds can reduce cost impacts, provide environmental and health benefits, and create new economic activity.

Subd. 3. Expenditures to be studied. Requires the study under subdivision 2 to analyze the impacts of the following types of expenditures:

- direct per capita rebates;
- grants and incentives to consumers to invest in energy efficiency and use renewable energy sources;
- financial assistance to businesses that install greenhouse gas reducing technologies;
- investments in public infrastructure that reduce greenhouse gas emissions;

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- incentives for carbon sequestration on forest land and farmland; and
A majority of expenditures must be directed to the first two categories.

Subd. 4. Study criteria. Requires the study under subdivision 2 to analyze the extent to which expenditures on the measures in subdivision 3 will ease the economic impacts of a transition to lower greenhouse gas emissions.

- 5 Appropriation.** Appropriates up to \$500,000 from the monies appropriated in 2007 for renewable energy research to complete the studies in section 4, a portion of which may be transferred to the University of Minnesota .