

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:00 a.m. on January 13, 2009, in the MEMORIAL HALL of the Memorial Building, Secretary of State office Building.

All members were present except:

Representative Tony Brown- excused
Representative Mike Burgess- excused
Representative Rocky Fund- excused
Representative Dan Johnson- excused
Representative Annie Kuether- excused
Representative Margaret Long- excused
Representative Don Myers- excused
Representative Cindy Neighbor- excused
Representative Connie O'Brien- excused
Representative Rob Olson- excused
Representative Joe Seiwert- excused
Representative Vern Swanson- excused
Representative Milack Talia- excused
Representative Vince Wetta- excused

Committee staff present:

Melissa Doeblin, Office of the Revisor of Statutes
Mary Galligan, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Rena Hansen, Committee Assistant

Conferees appearing before the committee:

Guests: Approximately 100 attended the meeting including those that signed the register.

Welcome to the meeting was given by Chair Carolyn McGinn. The committee members were the invited guests of the Joint Committee on Energy and Environmental Policy.

Dan Chartier, Manager, Air Quality Programs, Edison Electric Institute, spoke to the committee on Emissions Trading: Lessons for a Carbon Market via a power point presentation (Attachments 1 & 2).

Westar also had a hand out entitled, "Meeting our Customers' Energy Needs, A Strategic Plan for Uncertain Times" (Attachment 3), that was given to committee members.

Cap and trade basics -Mr. Chartier noted that the first true trading program in the world was the 1990 clear air act amendments which established the cap levels, the timing of reductions, and the allocations. He noted that there are two formulas that were created for emission allowances: one in 1995-1999 and a second one that started in 2000 and extends to today. www.epa.gov/airmarkets is a web-page where one can see all the emissions that are reported, traded, and tracked. They are looking at the trading to reduce SO₂ and Nox www.aqmd.gov/reclaim/reclaim/html

Existing Green House Gas Markets -Mr. Chartier spoke about the existing markets which are primarily in Europe. Thi is the largest GHG trading organization in the world and captures 46 % of all European emissions. He noted some of the lessons that were learned from the EU-ETS trading scheme. Additionally he spoke on some of the United States programs that are in existence.

Federal Legislative Landscape -Mr. Chartier noted that it's going to take a shock approach to achieve the emissions reductions that are set forth by the target numbers. Advance coal generation has to be part of the solution, as well as efficiency, renewables, extended nuclear generation, plug in hybrid vehicles. A ll the plans are looking for 70-80 % reduction by 2050. He noted the potential impacts on consumers from climate legislation. These costs assume a single federal program. He noted that if states put more fines on different infractions, such actions will add to the total costs.

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Cap and Trade vs Tax -Mr. Chartier noted that in the tax scenario, a set price impact is included, but it is difficult to know the results of emissions usage and if there are beneficial environmental impacts. Most people are proposing an environmental cap and trade system, where the results of the plan on emission levels are predetermined. He noted some of the variables that have yet to be solved when designing either the cap and trade or a tax system.

Mr. Chartier commented that to make this work we must have accurate data to show accurate results.

Panel Discussion of carbon tax and cap and trade policy options

Amy Blankenbiller, the Kansas Chamber of Commerce-opposed cap and trade on a state basis but suggests not only a federal but an international policy on this issue.

Brad Harrelson, Kansas Farm Bureau-Noted that their members would be unfairly impacted if a cap and trade system were put into place. He noted that 6-12 billion dollars of additional agricultural production costs would be incurred if the cap and trade programs are mandated. He believes that this would be a vast loss in income.

Nancy Jackson, The Climate and Energy Project-Sits on a regional committee that is trying to design a cap and trade system to be recommended to the federal government should a national system be enacted. She believes the costs of electricity will be rising no matter what we do. She noted that all social changes in any society, always have a cost. She used the internet system as an example. She believes Kansas is well situated to benefit highly from a cap and trade system in the United States. We have yet to fully utilize our energy efficiency potential nor our wind industry potential.

Woody Moses, Kansas Cement Council-Noted that for every ton of cement created there is a ton of carbon emitted. This, he believes, is a particularly vexing problem as we move forward into a carbon emission reduction society. He commented that they are very much in favor of a global solution. He noted that a lot of cement goes into the construction of LEED buildings and energy efficiency construction and that the debate on this has not been attempted yet.

Tom Thompson, Sierra Club, Kansas Chapter-Noted the primary purpose of a cap and trade system is to decrease the amount of CO₂ emitted into the air and thereby reduce the effects of global warming. The Sierra club is putting its energy into a cap and auction system. The Sierra Club believes that the 70-80 % reduction can be reached by 2050. They think the funds collected need to be used to help low income families become more energy efficient. He believes that Kansas, being at the crossroads of the nation, should be a perfect place for renewable industry production to occur. Additionally, he noted that addressing global warming would cost the world 1% of its GDP a year. But the cost of not doing anything could cost the world 5-20% of its GDP.

Opening questions for panel

How would either a carbon tax or a cap and trade system impact your industry or community? What benefits would you anticipate for your industry or community resulting from either of those policies? From the perspective of your business/industry/organization, assuming no action is taken on either at the federal level, which would you rather see the Kansas Legislature pursue and why?

Answers:

Nancy Jackson noted there are a myriad of stakeholders involved across the country. A more economy wide cap and trade system would be more effective and less expensive. She noted that certain industries have no

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way of making any reduction changes and that would have to be looked at for the separate industries.

Amy Blankenbiller noted that it is difficult to pick winners and losers within the diverse membership of the Chamber of Commerce. She noted again that they support a national policy.

Woody Moses believes we do not have near enough data to make adequate decisions on which industries to target.

Amy Blankenbiller commented that we do not want to shift the problem to another area or source and we don't want to loose the economic impact and potential economic growth.

Other responses to questions:

Mr. Chartier noted that when we started on emissions control we had the technologies to remove the SO₂ but we are facing a technology deficiency and need time for them to be developed. He noted that then you have to have time for these new technologies to be implemented in existing facilities. If the U.S. acts on our own, or even in concert with the EU without the developing nations, we will not solve the global problems.

Nancy Jackson believes that when there is regulation, industry will respond. She noted that a 40% reduction in GHG could be achieved by energy efficiency programs. We have to build a bridge to the technology of tomorrow. The benefit of regulating CO₂ is a point of much debate. The science is debatable but the repercussions of ignoring the science is monumental. Additionally it is good to diversify where our energy production comes from.

The next meeting is scheduled for January 14, 2009.

Meeting adjourned at 10:40 am.