

**Testimony of Tia Nelson
Co-Chair, Governor James E. Doyle's Global Warming Task Force
House Subcommittee on Energy and Environment
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Introduction

Good afternoon Chairman Markey, Ranking Member Upton, and Members of the Committee.

My name is Tia Nelson and I am the Executive Secretary of the Board of Commissioners of Public Lands for the State of Wisconsin. In 2007, I was appointed by Wisconsin Governor Jim Doyle to serve as one of two co-chairs of Wisconsin's Task Force on Global Warming. I'm honored to appear before the Committee today to highlight the findings and recommendations of our Task Force and to share my perspectives on the discussion draft of the American Clean Energy and Security Act of 2009.

Wisconsin's Task Force on Global Warming

Wisconsin's Task Force on Global Warming consisted of a diverse group of stakeholders representing a broad political spectrum: electric utilities and cooperatives, non-profit advocacy organizations, large manufacturers, labor unions, agricultural organizations, forestry interests, Native American tribes, and key Legislative committee members. The mission given to us by Governor Doyle was threefold:

- 1) Identify short- and long-term goals for reductions in greenhouse gas emissions;
- 2) Present policy recommendations to achieve those goals; and,
- 3) Identify opportunities to address global warming locally while growing our state's economy and creating new jobs.

After more than a year of hard work, the Task Force delivered a final report to Governor Doyle in July 2008 that garnered nearly unanimous support from our diverse membership.¹ Our final report included recommended greenhouse gas reduction targets, economic and environmental modeling results, and more than 60 different policy recommendations covering just about every piece of the climate change puzzle.

Governor Doyle and his Administration have already implemented several of those recommendations. Most of the others will be included in a comprehensive climate change bill soon to be introduced by our State Legislature. Wisconsin will have a head start on implementing policies that closely resemble many of the provisions in the bill before you today. And we are poised to act as a full partner with the federal government once comprehensive, nationwide climate change regulation is in place.

What makes the Wisconsin Task Force process and its product so unique is that it represents such a broad and strong political consensus in support of aggressive action on climate change. The Task Force membership, as well as Governor Doyle, knew that federal action was necessary and likely inevitable, and that it would be important for Wisconsin to prepare itself in advance and develop a set of policy recommendations that would meaningfully reduce greenhouse gas emissions and make sense for Wisconsin's economy.

Perspectives on the Discussion Draft

First and foremost, I want to applaud the Chairmen for bringing before this Committee a discussion draft that offers real solutions to confront climate change, promote energy independence, modernize America's energy infrastructure, and make our nation more

¹ The final report is available at http://dnr.wi.gov/environmentprotect/gtfgw/documents/Final_Report.pdf.

competitive globally. I support what the Chairmen have put forward, and I think we can make it work for Wisconsin and for the nation as a whole.

I'm proud to say that significant portions of the Chairmen's draft closely track what the Wisconsin Task Force recommended. The renewable energy and energy efficiency titles in the discussion draft, in particular, are remarkably similar in many respects to the recommendations developed by our Task Force, and not surprisingly, I offer my wholehearted support for those aspects of the bill. Specifically:

- The proposed Renewable Electricity Standards and Low Carbon Fuel Standards in the discussion draft closely resemble similar provisions and targets recommended by Wisconsin's Task Force.
- The discussion draft also includes a variety of measures related to energy efficiency, including building codes, lighting standards, and appliance standards. Our Task Force concluded – as have others – that these types of measures are the most effective and least costly actions that can be taken to reduce greenhouse gas emissions. We recommended mandatory utility investments in energy efficiency that I believe would achieve results similar to those of the Energy Efficiency Resource Standard proposed in the discussion draft.

Perhaps most importantly, the discussion draft proposes ambitious, science-based, economy-wide greenhouse gas emission reduction goals and a cap-and-trade system for meeting those goals. I fully support these targets, which are roughly equivalent to what Wisconsin's Task Force recommended to Governor Doyle.

I would like to share with the Committee one of the lessons from Wisconsin's Task Force. Our technical modeling indicated that without a cap-and-trade program, even if all 60 or

so of our other policy recommendations were implemented, Wisconsin would only be able to achieve about half of its emission reduction goal. If Committee members support the emission reduction targets proposed by the Chairmen, energy efficiency and renewable energy policies alone will not be enough. In Wisconsin, our broad spectrum of Task Force stakeholders unequivocally acknowledged that federal cap-and-trade regulation is a critical component of any climate change solution.

With that said, cap-and-trade regulation should ensure that our emission reduction goals are met *at the lowest possible cost*. And I can tell you that the consensus of interests that we brought together in Wisconsin, in support of economy-wide, cap-and-trade regulation would urge that this Committee do everything it reasonably can to mitigate the compliance costs associated with comprehensive regulation.

The economic and fuel makeup of Wisconsin make it a unique voice in the climate change debate. Wisconsin ranks third among all states in manufacturing. We are therefore naturally concerned about whether cap-and-trade regulations will make our manufacturers less competitive in global markets. We also are more dependent on coal for electricity than most states, and unfortunately coal emits more greenhouse gases per unit of electricity than any other conventional fuel. These two characteristics – our strong manufacturing base and reliance on coal for power – mean that Wisconsin could shoulder a disproportionately heavier compliance burden, depending on how federal regulation is ultimately designed. These questions of fairness and proportionality are, without question, extremely challenging. And I offer no easy answers. But in the face of those challenges, Wisconsin’s Task Force did not reject cap-and-trade and we did not water down our emissions reduction goals. Rather, we focused on cost mitigation as a

crucially important design feature of any cap-and-trade system. Specifically, we focused on two topics of great interest to this Committee: allowance distribution and the availability of offsets.

I understand that the Chairmen's draft does not propose an allowance distribution methodology, and I'm not here today to support a particular approach. However, I would like to share with the Committee what our Task Force recommended. The Task Force did not limit its design options to the either/or proposition of auction versus free allocation. Instead, we crafted a compromise:

- Allocate, for a reasonably small fee – perhaps as little as \$2 per ton – to industrial sources and regulated utilities a substantial majority of the allowances that they will need to comply, for an initial transition period of up to ten years; and
- Auction the remainder of the unallocated allowances.

In reaching that compromise, the Task Force aimed to:

- Provide greater financial certainty to regulated entities than they would have if all allowances were auctioned;
- Minimize volatility, both in compliance costs and in overall economic impacts; and
- Create a predictable, guaranteed revenue stream for climate related purposes such as low-income bill assistance, energy efficiency programs, investments in renewable and clean energy, wildlife and habitat impact mitigation, and breakthrough research. This would create a substantial revenue source when applied to the large number of allowances under discussion.

Importantly, the Task Force did not forever rule out the possibility of a more robust auction distribution methodology. Task Force members did, though, make clear that for a state

like Wisconsin, an initial transition period would be necessary to allow its economy, power sector, and consumers enough time to adjust to a carbon-constrained world.

Also of great importance in the design of cap-and-trade are offsets. And offsets will be doubly important for states like Wisconsin. Not only do we have a strong manufacturing base and a heavy reliance on coal for power, we also possess abundant forest resources and a robust agricultural sector. As a result, offsets were an important issue for our Task Force, and they are an important issue for Governor Doyle, who has signed a Memorandum of Understanding with California, Brazil, and Indonesia to collaborate on forestry offsets. The signatories of this agreement represent 50% of the total tropical forests in the world.

I understand that offsets are a difficult and challenging subject, as I have spent much of the last 15 years working in this policy arena. But offsets are a potentially powerful cost control measure, and I believe all of the concerns about the legitimacy of offsets can be addressed through well-crafted regulations. The discussion draft, in my opinion, puts forth the right basic standard for crediting offset projects: the emissions reductions must be additional, verified, and permanent. As long as that basic standard remains at the foundation of any offsets program, I will strongly support the inclusion of offsets in a federal cap and trade program.

Land use will be important to addressing the challenge of climate change. Many people may not be aware that emissions from deforestation and forest degradation contribute approximately 20 percent of global emissions, which is more than all transportation-related emissions worldwide. Each year, a swath of tropical forest larger than the size of Wisconsin is destroyed – sending more than five billion tons of carbon dioxide into the atmosphere and damaging some of the planet's most cherished places.

Forest conservation and restoration will be critical to solving the climate issue – helping to ensure we are able to stabilize atmospheric CO₂ at levels that scientists recommend. Including forest carbon activities in a carbon market would create a number of important benefits. First, it would provide a critical means of cost containment for U.S. businesses and consumers, particularly until advanced new energy technologies are ready to be deployed. Second, it would bring additional developing countries to the table in forging a more global climate agreement that addresses all major sources of emissions, while also leveling the competitive playing field for U.S. manufacturing and protects American jobs. Third, it would use the power of markets to generate what could be tens of billions of dollars to save the world’s forests and their biodiversity from destruction. And lastly, it could improve the quality of life of local and indigenous communities by reducing the negative impacts of deforestation on communities and providing direct economic benefits in the form of new opportunities. My personal experience in the design and implementation of some of the worlds first such projects has taught me that we have the means to measure and verify the greenhouse gas benefits of these projects, while meeting a multitude of critical environmental challenges.

Closer to home, Wisconsin farms and forests can provide important opportunities to mitigate climate change, lesson compliance costs and improve land use practices. Our task force analysis identified several strategies which can generate real and additional greenhouse gas benefits while providing economic incentives to land owners through offset investments. Improvements in timber management, and no or low till farming look particularly promising for instance.

The Committee is to be commended for recognizing that greenhouse gases know no boundaries and that protecting forests and improving agricultural practices here and abroad is an

important component to any effective climate change strategy. Additionally, we know that changes in timber management practices, tillage practices, and animal waste storage, among other strategies, have important benefits not just for climate, but for habitat, water and soil quality too. The right kind of biomass can help us be more energy independent, and reduce our reliance on coal. Our forest lands and agricultural industries have an important role to play in helping reduce and mitigate greenhouse gas emissions. If we get the rules right, forest and farms can be an important part of the climate change solution.

As a conservationist, I believe we must also recognize that climate change is already upon us. Although the Task Force did not directly address impacts and adaptation, Wisconsin's unique animal and plant communities, as well as our cherished inland lakes, superior mixed forests, and the Great Lakes, will almost certainly be adversely impacted by climate change. In fact, some impacts are already evident. Investing in these systems through a robust adaptation program – for example by empowering and funding state coastal and forest land acquisition and protection programs – will be essential to our successful adaptation to the adverse impacts of climate change.

Conclusion

In conclusion, I thank the Chairmen for presenting a thoughtful discussion draft. The draft is similar in many ways to the recommendations reached by our diverse group of stakeholders in Wisconsin. I offer my whole hearted support for the fundamental provisions of the bill, most notably the greenhouse gas reduction targets, and urge the Committee to do everything it can to mitigate costs without backing away from those targets. I want to thank the

Committee for giving me the opportunity to testify today on this pivotal issue and I look forward to your questions.