MARYLAND COMMISSION ON CLIMATE CHANGE:
GREENHOUSE GAS AND CARBON MITIGATION WORK GROUP
Energy Supply Technical Work Group
Summary of Teleconference Meeting, Call #12
April 9, 2008

Attendance List:

MD MIT Energy Supply TWG Members:
Bill Cunningham, Frank Heintz, Brad Heavner, Ed Giugliano, Eric Coffman, Misty Allen

State of Maryland:
Elizabeth Entwisle, Christina Mudd, Renee Fizer, Michael Li

CCS:
Jeff Wennberg, John Warmerdam, Adam Rose, Dan Wei

Public:
There were no members of the public on the call.

Jeff Wennberg called the meeting to order and called the roll.

The Call #11 summary was approved without change.

John Warmerdam summarized the results of the latest analysis of the policies. He explained that most of the changes to individual policies were minor, plus some general changes in the calculation of levelized costs. He said that Bill Dougherty had sent out revised Inventory and Forecast figures. One major source of changes was to accommodate the use of different data sources by the Regional Greenhouse Gas Initiative. The I&F and prior PODs had used a different source than RGGI for power plant emissions. Given the need for RGGI-consistent analysis under ES-3 (Cap and Trade), this required a recalculation of the other policies and the I&F using consistent data.

A TWG member asked if the spreadsheets supporting the summary table were available and Jeff said he would have them posted that evening.

Adam Rose and Dan Wei then walked through the results of their modeling of RGGI and its impact on Maryland's emissions and costs (ES-3). They explained that the RGGI region had many negative-cost options, especially in Maryland and Massachusetts. This had the effect of depressing allowance prices. Two scenarios were run; one assuming allowances were freely distributed and the other assuming that they were all auctioned.

In the free distribution case two states would be allowance purchasers (Connecticut and New Jersey) while all the rest would be sellers, including Maryland. At an assumed allowance price of $7 per ton, Maryland would sell 730,000 allowances in 2020, and mitigate 7.68 $MMtCO_2e$, at a net cost savings of

about $36.4 million. At an assumed allowance price of $1 per ton, Maryland would sell 780,000 allowances in 2020 and mitigate 7.73 $MMtCO_2e$, at a net cost savings of $34.15 million.

In the auction case and an assumed allowance price of $7 per ton, Maryland would mitigate 16.66 $MMtCO_2e$ at a net cost savings of about $449 million. At $1 per ton Maryland would mitigate 15.7 $MMtCO_2e$, at a cost savings of about $585 million.

TWG members asked a number of questions. Dan Wei explained that the policies used to develop the expected cost of mitigation came from the ES and the electricity-saving RCI policies. In the course of the discussion, Bill Cunningham suggested adding language concerning the desire for a federal program. There was some discussion about the need for the federal program to be credible. The committee decided to include the following statement under Policy Description:

The MWG supports continued active involvement in RGGI and encourages consideration of the expansion of RGGI to sectors beyond the power sector if the federal government fails to enact a credible national cap and trade program in 2009. For the purpose of this recommendation a credible national program must require at least a 20% reduction from current emission levels for covered sectors by 2020.

Renee Fizer said that RPS legislation had passed on Monday but that the House and Senate versions were different and needed to be reconciled. The RPS in the policy (ES-7) needed to be revised and possibly recalculated to reflect these events. The recommended policy is still more stringent than the new legislation but the difference is much smaller than is shown currently comparing the recommended policy with the existing law.

Adam and Dan then gave a quick review of their analysis of ES-9, the Carbon Tax. It was explained that since Maryland could achieve its goals with a combination of negative cost policies, the carbon tax was not 'needed' to send a price signal to create an incentive to reduce emissions. However, if Maryland wanted to pursue more ambitious goals or simply wanted to see the effect of a range of tax rates on overall emissions, the analysis was done using tax rates in increments of $1 between $1 and $7. The additional mitigation for each incremental dollar of taxes was predicted to be just about 100,000 tons. This translated into a cost effectiveness of $355 per ton mitigated.

Jeff Wennberg pointed out that the TWG had very little time left to make final recommendations to the MWG. He asked for comments on ES-10, the Generation Portfolio Standard. There was a brief discussion but there was not sufficient time to reach consensus.

Jeff Wennberg said that the next call would be Tuesday, April 29 from 3:30 – 5:00 pm EDT. He asked if there were any members of the public on the call who would like to make a statement or ask a question. No members of the public responded.

The call was then adjourned.