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State of Minnesota

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HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **3195**

February 18, 2008
 Authored by Knuth, Wagenius, Hausman, Hilty, Lieder and others
 The bill was read for the first time and referred to the Committee on Environment and Natural Resources
March 6, 2008
 Committee Recommendation and Adoption of Report:
 To Pass as Amended and re-referred to the Committee on Commerce and Labor
March 17, 2008
 Committee Recommendation and Adoption of Report: To Pass as Amended and re-referred to the Committee on Finance
April 7, 2008
 Committee Recommendation and Adoption of Report: To Pass as Amended and re-referred to the Committee on Ways and Means
April 21, 2008
 Committee Recommendation and Adoption of Report:
 To Pass and Read Second Time
April 23, 2008
 Calendar For The Day, Amended
 Read Third Time as Amended
 Passed by the House as Amended and transmitted to the Senate to include Floor Amendments

1.1

A bill for an act

1.2

relating to environment; establishing an intent to participate in a cap and trade

1.3

program for greenhouse gas emissions; requiring studies; appropriating money;

1.4

proposing coding for new law in Minnesota Statutes, chapter 216H.

1.5

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6

Section 1. **[216H.10] TITLE.**

1.7

This act may be cited as the "Green Solutions Act of 2008."

1.8

Sec. 2. **[216H.11] CAP AND TRADE PROGRAM.**

1.9

It is the intent of the legislature that Minnesota participate in the midwest regional

1.10

cap and trade program to help achieve the greenhouse gas emissions reductions goals

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established in section 216H.02, subdivision 1.

1.12

Sec. 3. **[216H.12] MIDWESTERN GREENHOUSE GAS ACCORD.**

1.13

(a) By January 15, 2009, the commissioner of commerce shall submit a report to

1.14

the chairs and ranking minority members of the senate and house of representatives

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committees with primary jurisdiction over energy policy, environmental policy, and

1.16

transportation policy describing the status of the development of a model rule establishing

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a regional cap and trade program under the Midwestern Greenhouse Gas Accord. The

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report must address the degree to which any model rule being developed under the

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Midwestern Greenhouse Gas Accord will operate in a time frame that will allow Minnesota

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to meet its greenhouse gas emissions-reduction goals under section 216H.02, subdivision

1.21

1. If a model rule in accord with the state's emissions-reduction goals is not yet ready for

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adoption, or is unlikely to be adopted, the report must identify options for Minnesota to

2.1 supplement the regional agreement with state policies, to join another regional cap and
2.2 trade program, or to implement a cap and trade program in Minnesota alone.

2.3 (b) The senate and house of representatives, in accordance with the rules of their
2.4 respective bodies, must appoint a bipartisan team of six legislators, two representatives
2.5 from the non-energy-related business community, and three representatives from
2.6 organized labor to serve in an advisory role to the governor's Midwestern Greenhouse Gas
2.7 Accord stakeholder group. The legislators and business and labor representatives must
2.8 receive regular briefings from the stakeholder group and have an opportunity to participate
2.9 as observers in meetings of the regional negotiations and may offer advice with respect
2.10 to the Accord or to any other energy issue being analyzed by an entity created by the
2.11 Midwestern Governors Association at its November 2007 Energy Summit.

2.12 (c) Any cap and trade agreements entered into are not effective in Minnesota until
2.13 approved by the legislature.

2.14 Sec. 4. **[216H.13] POST-IMPLEMENTATION COST STUDY.**

2.15 Beginning one year after the initial implementation of a statewide cap and trade
2.16 program, and each year thereafter, the Department of Commerce shall submit a study
2.17 to the chairs and ranking minority members of the senate and house of representatives
2.18 committees with primary jurisdiction over energy policy and environmental policy that
2.19 estimates the annual economic cost and benefit to Minnesota consumers and businesses
2.20 resulting from the implementation of the cap and trade program.

2.21 Sec. 5. **STUDIES.**

2.22 Subdivision 1. **Governance study.** The University of Minnesota shall issue a
2.23 request for proposals for a study that describes and analyzes several options regarding
2.24 how decisions on expenditures of revenues captured by any cap and trade program may be
2.25 made. The study must examine:

2.26 (1) the role that the legislature, citizens, technical experts, and state agencies may
2.27 play in decision making; and

2.28 (2) innovative decision-making structures and processes, including the
2.29 Legislative-Citizens Commission on Minnesota Resources, and other examples in
2.30 Minnesota and other states and countries that may offer useful models to consider.

2.31 The report must be submitted to the chairs and ranking minority members of the senate
2.32 and house of representatives committees with primary jurisdiction over energy policy and
2.33 environmental policy by January 15, 2009.

3.1 Subd. 2. **Economic and emissions study.** (a) The commissioner of commerce shall
3.2 conduct a study of the economic, environmental, and public health costs and benefits of a
3.3 cap and trade program. The study must consider the impact of the cap and trade program
3.4 on individual industrial sectors subject to the program and on the state economy and
3.5 consumers, and how expenditures of any auction revenues on the measures identified in
3.6 subdivision 3 can reduce the economic costs and increase the economic, environmental,
3.7 and public health benefits.

3.8 (b) The study must include:

3.9 (1) estimates of the costs to entities covered by the cap to buy allowances or reduce
3.10 greenhouse gas emissions;

3.11 (2) estimates of the impact of the program on energy costs, the impact of energy
3.12 cost changes on businesses and households, and recommendations on how to avoid
3.13 regressive impacts;

3.14 (3) projections of likely revenues if allowances are auctioned;

3.15 (4) a detailed estimate of the degree to which different levels of expenditures of
3.16 auction proceeds on the options listed under subdivision 3, clauses (1) to (6), would:

3.17 (i) reduce greenhouse gas emissions;

3.18 (ii) reduce economic costs to industry and households;

3.19 (iii) yield jobs and other economic benefits by stimulating economic activity,
3.20 promoting the growth of new businesses, reducing the amount of money leaving the state
3.21 to purchase fossil fuels, or other means;

3.22 (iv) result in environmental and public health co-benefits by reducing pollutants
3.23 other than greenhouse gases, improving habitat, or other means; and

3.24 (v) otherwise meet the goals identified in subdivision 4;

3.25 (5) discussion of the potential for any allowances allocated under the program to
3.26 result in windfall profits rather than be used to reduce consumer prices;

3.27 (6) analysis of ways to avoid putting Minnesota industries subject to the cap and
3.28 trade program at a competitive disadvantage with competitors not subject to comparable
3.29 regulation;

3.30 (7) options for criteria that decision makers can use to determine how to allocate
3.31 expenditures among the spending options listed under subdivision 3, balancing the goals
3.32 set forth in subdivision 4;

3.33 (8) analysis of various mechanisms for protecting jobs in energy-intensive industries
3.34 subject to competition from outside the Midwestern Greenhouse Gas Accord region,
3.35 including steel, cement, paper, pulp, aluminum, and chemicals, including an analysis of

possible mechanisms to account for the greenhouse gas emissions associated with the production and transportation of imported goods;

(9) analysis of various mechanisms to provide for equity to communities at risk of disproportionate economic or environmental impacts; and

(10) analysis of the effect of adopting a cap and trade program on the level of foreign investment in Minnesota.

(c) The study must consider the data and policy recommendations developed through the Minnesota Climate Change Advisory Group as well as the growing literature related to reducing greenhouse gas emissions.

(d) By January 15, 2009, the study must be submitted to the chairs and ranking minority members of the senate and house of representatives committees with primary jurisdiction over energy policy and environmental policy.

Subd. 3. **Expenditures to be studied.** The study required under subdivision 2 must consider the impacts of the following types of expenditures:

(1) direct per capita rebates to Minnesotans;

(2) grants and incentives to consumers to invest in energy efficiency and utilize renewable energy sources, or in other technologies, products or practices that reduce energy costs, energy consumption, and greenhouse gas emissions, including telecommuting tax credits;

(3) financial assistance to businesses that install technologies that reduce their facilities' greenhouse gas emissions, targeting energy-intensive industries facing competitors not subject to comparable regulation including, but not limited to, steel, pulp, paper, cement, chemicals, and aluminum;

(4) investments in public infrastructure that reduce greenhouse gas emissions;

(5) investments in worker training and retraining programs;

(6) incentives for carbon sequestration on forest land and farmland; and

(7) a scenario in which a majority of expenditures is directed to uses under clauses (1) and (2).

Subd. 4. **Study criteria.** The study required under subdivision 2 must determine the extent to which expenditures on the measures identified in subdivision 3 assist Minnesota's transition to a low greenhouse gas-emitting economy and increase the economic gains and reduce the dislocating impacts of the transition. Specifically, the study must discuss the extent to which expenditures meet the following goals:

(1) produce cost-effective emissions reductions;

(2) increase sustainable economic development, job creation, and job growth;

5.1 (3) reduce greenhouse gas emissions in sectors that do not participate in the cap
5.2 and trade program;

5.3 (4) reduce disruptive economic impacts of the transition on workers, businesses,
5.4 and consumers;

5.5 (5) equitably distribute the costs and benefits among state residents, communities,
5.6 and economic sectors;

5.7 (6) assist low-income and other consumers to reduce their costs associated with
5.8 greenhouse gas emissions; and

5.9 (7) protect and enhance public health, environmental quality, wildlife habitat, and
5.10 the state's natural resources.

5.11 Sec. 6. **APPROPRIATION.**

5.12 Of the amounts appropriated from the special revenue fund in the second year to
5.13 the commissioner of commerce for renewable energy research under Laws 2007, chapter
5.14 57, article 2, section 3, subdivision 6, clause (7), up to \$500,000 is appropriated to the
5.15 commissioner for the purposes of completing the studies under section 5, subdivisions 1
5.16 and 2. A portion of this appropriation may be transferred to the Board of Regents of the
5.17 University of Minnesota.

5.18 Sec. 7. **EFFECTIVE DATE.**

5.19 Sections 1 to 6 are effective the day following final enactment.