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Meeting #4 Continued Summary
Climate, Energy and Commerce Advisory Committee (CECAC)
Teleconference
January 11, 2008

Attendees:

CECAC Members:

Representative Ben Hagood - SC House of Representatives, CECAC Chairman
Crandall Close Bowles - President and CEO, Springs Mills
Jim Byrd, Deputy Director - Market Services Division, SC Department of Insurance
Lonnie Carter - President and CEO, Santee Cooper
John Clark - Director, SC Energy Office
Barry Falin - Vice President and General Manager of Carolina Operations, Voridian
Dr. Paul Gayes - Director, Center for Marine and Wetlands Studies, Coastal Carolina Univ.
Emerson Gower - VP, Southern Region, Progress Energy Carolinas
Joe James - CEO, Corporation for Economic Opportunity
Bob King - Deputy Commissioner, SC Department of Health and Environmental Control
Dr. Marcus Newberry - Former Dean, MUSC College of Medicine
Mike Olbrich - Plant Manager, BP Chemical
Jonny Williamson - CEO, South Carolina Soya, LLC
Brad Wyche - Executive Director, Upstate Forever
Jim Rogers – Marc Hollis was sub

Office of the Governor:

Justin Evans

South Carolina Department of Health and Environmental Control (DHEC)

Michael Juras, Agency Liaison
Leslie Coolidge

Center for Climate Strategies (CCS):

Tom Peterson, Executive Director
Ezra Hausman, Alice Napoleon, Joan O'Callaghan, and Randy Strait

Members of the Public:

Henry Barton - South Carolina Electric & Gas
Braxton Davis - Director of Science and Policy, Office of Coastal Resources Management
Elizabeth Hagood
Mark Hollis - Duke Energy Corporation
Bob Perry - SC Department of Natural Resources

Background Documents: (all posted at www.scclimatechange.us)

1. Notice and Agenda
2. Powerpoint Presentation
3. Policy Option Descriptions for Analysis for Cross-Cutting Issues

Discussion and Conclusions:

1. Welcome and Introductions

Chairman Ben Hagood opened the meeting and welcomed the members of the CECAC and the public. At the Chairman's request, Randy Strait (CCS) conducted roll call. Chairman Hagood then reviewed the agenda and plans for the call.

2. Approval of draft summary of CECAC Meeting #3 Continued

This was not addressed during the teleconference call.

3. Dates and Times for Next Meetings

Chairman Hagood noted the dates and times (9:00 am to 6:00 pm Eastern) of the remaining two CECAC meetings:

- Meeting #5: Friday, February 22, 2008
- Meeting #6: Friday, May 9, 2008

**4. Review and Approval of Straw Policy Design Proposals for Cross Cutting Issues
Draft Policy Options**

Randy Strait of CCS provided a brief summary of the description and design characteristics for each pending priority policy option. TWG members were then invited to provide additional points on their work on each option. The CCS facilitator and TWG members then responded to questions and comments from the CECAC. The CECAC members then noted any objections to proceeding with further development and analysis of each option after incorporating the CECAC's comments, if applicable.

Summary of Comments and Responses to Questions:

CC-1 (Inventories and Forecasting) - No comments or questions.

CC-2—GHG Reporting and Registry – A CECAC member noted that the TWG needs to recognize the costs of reporting, minimize duplicate reporting, and simply ask for additional data. Another member agreed, and added that utilities are already reporting their emissions. South Carolina is a charter member of *The Climate Registry*, and DHEC has committed to registering its emissions with *The Climate Registry*. DHEC will be able to help with implementing this option to ensure that existing DHEC reporting requirements are not duplicated. It was noted that the new federal energy bill has established an 18-month timeframe for the US Environmental Protection Agency (EPA) to develop a climate registry process. States, through their regional compacts, have initiated discussions with US Senate staff and others in an effort to establish *The Climate Registry's* reporting protocols as the

standard going forward. This will be important especially for entities that have voluntarily joined *The Climate Registry* to report and register their GHG emissions. The goal is to integrate future EPA requirements and existing protocols developed by *The Climate Registry* as seamless as possible.

Chairman Hagood summarized the discussion by asking the TWG to (1) emphasize the use of existing reporting requirements for collecting data to avoid duplication of reporting burden on emission sources, and (2) to track developments of federal reporting requirements.

CC-3 (Statewide GHG Reduction Goals and Targets) - A CECAC member asked whether the TWG will look at all of the CECAC recommendations together. Strait responded that the TWG will pull them all together, eliminate double counting, and compare them to the reference case forecast. Chairman Hagood added that all of the recommendations of the CECAC for which emission reductions are quantified will be included in the goals and targets discussion initially, but much more work needs to be done. The CECAC member asked whether the recommendations could be reduced to perhaps 5. Chairman Hagood responded that that scenario is possible, but another possibility is that the TWG may look at all of the recommendations that are quantified. He added that the TWG needs to know what CECAC will do, and recommending further study is not saying that the process will be simple. The CECAC member asked the TWG to make sure that before adding up the recommendations, it looks at the feasibility and value of each recommendation and prioritize them according to the TWG's findings. Another CECAC member supported this comment. Tom Peterson (CCS) noted that the decision of whether to further consider the recommendations may lie in the Governor's executive order, which requires CECAC to have cost-effective GHG reduction goals and targets.

CC-4 (State Government GHG Emissions (Lead-by-Example)) - A CECAC member whether CC-4 and CC-5 are being considered together and whether they overlap. They are different; CC-4 focuses on state government agencies (including school districts) and CC-5 focuses on local government agencies.

A CECAC member then asked what criteria the TWG is using when asking states to lead-by-example; how much more money should the state be willing to pay? This may be very complicated, because this option doesn't just involve reducing GHG emissions from automobiles and buildings. For example, the South Carolina Department of Natural Resources is responsible for boat fleets, and the South Carolina Department of Transportation is also responsible for heavy equipment and road building. The TWG needs to establish criteria to gauge the effects of these sources as well. Strait responded that the policy design is written broadly in that it covers both transportation and non-transportation sources, thus the policy would cover off-road vehicles, such as boats. Chairman Hagood noted that emission reductions associated with state buildings and transportation sources would draw on the work of the policies being developed by the other TWGs should the CECAC adopt those policies.

A question was asked if school districts might be better placed under CC-5? The response was that school districts are included under CC-4 because South Carolina's constitution gives the legislature direct control over education.

A CECAC member asked why a new multi-agency group needs to be established, and why the South Carolina Energy Office (SCEO) couldn't handle the work. John Clark of the SCEO responded that the SCEO already collects energy use data from state agencies and school districts as a result of the 1992 legislation, and could handle the work in conjunction with a multi-agency committee. He added that establishing such a committee could be helpful, since SCEO sometimes has difficulty collecting data. SCEO could be the facilitator for the multi-agency committee and take the lead. Also, regarding including school districts in CC-4, the confusion may be that though school districts are local, they're included in CC-4 because they're partly funded through state taxes.

Strait explained that the thought behind this recommendation was to have various state agencies identify experts to serve on the multi-agency committee and share information among the agencies. Chairman Hagood noted that the state government isn't a fan of establishing new agencies, and the CC TWG should first analyze the best structure for implementing this option and examine the existing infrastructure. A CECAC member commented that although having SCEO facilitate the multi-agency committee's work may be a good recommendation, before the TWG specifies a facilitator or a committee, it needs to study what it would take to do this. Chairman Hagood commented that the Budget Control Board should have a key role in this policy option, and asked the TWG to look at the existing infrastructure and develop tailored proposals for coordinating its role in implementing this policy option.

Under "Key Uncertainties" in the straw proposal, a CECAC member expressed concern about limiting future growth to 2020, and noted that other options have goals that extend out to 2030 and 2040. He asked the TWG to leave this open.

CC-5 (Comprehensive Local Government Climate Action Plans (Counties, Cities, etc.))

- No comments or questions.

CC-6 (Public Education and Outreach) – A CECAC member noted that the TWG needs to emphasize the extent of this effort, which is comparable to communications efforts for smoking cessation and seatbelt use. The straw proposal is designed in a way that will allow South Carolina to take a leadership role at the national level to effectively prompt education and outreach on climate change. Also, from their experience with working on a large state grant from the US Department of Energy (DOE), the CECAC member has learned that successful outreach and education efforts need to go beyond simply lecturing the public—they need to design ways to involve the public in dialog. The approach laid out in the straw proposal could attract funding from foundations and become a model for other state efforts.

CC-8 (Adaptation and Vulnerability) – A CECAC member commented that some effects of climate change on natural resources are quite costly, such as coastal nourishment, and that it would be advantageous to examine the cost issues. Another member noted that impacts would include the spread of insects that might affect health, agriculture, forests. In response, insect vectors will be added to the list of impacts identified in the straw proposal.

A third CECAC member commented that they favor a blue ribbon panel, but it should focus on all issues and challenges related to implementing the recommendations that the CECAC

adopts for all of the TWGs, not just adaptation issues. Chairman Hagood noted that evaluating the implementation recommendations of the TWG would result in tremendous work. It would involve taking another set of issues the TWG is not directly addressing and would need its own study effort, which makes it different from the other options.

Strait noted that based on the discussions of the TWG during their meetings, the thought is that the expertise of the blue ribbon panel members would focus on climate change adaptation and vulnerability issues in South Carolina, which requires expertise that is different from the expertise needed to implement the recommendations that the CECAC adopts for the Action Plan. A TWG member agreed, saying that the scientific community might need to be brought in differently. Chairman Hagood suggested having the state legislature create a legislative committee to receive and evaluate the Action Plan and identify what's appropriate for legislative action. We need to think about how to move its work forward—follow up on implementing its work and ensure it doesn't sit on the shelf.

Objections/Modifications from the CECAC:

The following reflects the CECAC's decisions on the CC straw proposals, incorporating comments noted during the question and answer session summarized above.

CC-1 – No objections to moving forward for further analysis.

CC-2 – No objections to moving forward for further analysis.

CC-3 – No objections to moving forward for further analysis. (This option is on hold until the quantification of the options being evaluated by the other TWGs is completed.)

CC-4 – No objections to moving forward for further analysis.

CC-5 – No objections to moving forward for further analysis.

CC-6 – No objections to moving forward for further analysis.

CC-8 – No objections to moving forward for further analysis.

5. Discussion of Any Additional Information Needs and Further Actions on Cap and Trade and Carbon Tax Policies

Chairman Hagood asked the CECAC members if they needed further information on cap and trade and carbon tax policies. He noted that developing a cap-and-trade program is a very difficult topic for one state to tackle by itself, and South Carolina should consider participating in a regional or national cap-and-trade program. He added that South Carolina needs to make sure that the federal government does not undercut and not give credit to the South Carolina's efforts. He recommended asking the TWG to keep the CECAC informed of regulatory developments, and asked whether any state has taken action on cap and trade and carbon tax policies.

Peterson said that there are three regional compacts: the Regional Greenhouse Gas Initiative in the Northeast, the Western Climate Initiative in the West, and the Michigan Governors Association in the Midwest. Every state participating in these compacts has ruled out establishing its own program in favor of a multi-state effort. North Carolina has a recommendation to begin multistate discussions on these issues, and Florida is also getting involved. A CECAC member recommended keeping the door open to participating in regional discussions and not recommending that the state act alone.

A CECAC member noted the existence of the Southern Growth Policy Board and 25 x 25 initiative are working on a Southeast collaboration recognizing both demographics and other factors that are unique to the Southeast. Federal policy is heavily weighted to the Midwest. If the Southeast isn't coordinated as a region, bad things could happen at the federal level, and the region could miss out on opportunities. Oak Ridge National Laboratory is designated and funded to be a bioengineering center for the Southeast. If South Carolina doesn't reach out, we may find our neighbors more affected.

Another CECAC member said the CECAC should first think about what the Governor commissioned it to do. They believe that cap and trade and carbon tax policies are well beyond the CECAC's charge, and the CECAC is not in a position to pursue cap and trade and carbon tax policies. Another member noted South Carolina should indicate a willingness to engage in a regional discussion; not doing so might indicate our unwillingness. A CECAC member responded that, for example, if North Carolina and Georgia want to discuss these policies with South Carolina, the Governor's office would be the appropriate place for that discussion.

Chairman Hagood suggested that the TWG continue to gather information and report to CECAC on regional and national initiatives. The TWG can insert a placeholder at the end of the process to have a recommendation that South Carolina participate in A, B, C, etc. Peterson added that the issue is whether the CECAC wants to be proactive versus being an observer. Chairman Hagood further suggested that the CECAC might ask the CC TWG to present a proposal that includes continued implementation as well as evaluation of a regional dialogue.

6. Review and Discussion of South Carolina's Draft GHG Inventory and Forecast

Ezra Hausman and Randy Strait of CCS summarized the TWG's recommendations for revising the draft inventory and forecast. The CECAC approved of the recommendations which include the following:

For the electricity supply sector, use 2003 data supplied by the utilities in South Carolina and then use the aggregated electricity sales forecast that CCS developed from data provided by the South Carolina utilities to revise the forecast for the electricity supply sector. Future generation mix by fuel type will be based on the approach used for the inventory and forecast for North Carolina. In addition, for sulfur hexafluoride emissions (SF₆) associated with electricity transmission and distribution, the revised US EPA forecast will be used to replace the outdated US EPA forecast used in the draft forecast for South Carolina. South Carolina utilities will report back to the ES TWG on if they have programs in place to recover SF₆

emissions when they repair transformers; and, if they do, the forecast for EPA's "technology adoption" scenario will be used. If not, the EPA's forecast for the "no action" (i.e., no control) scenario will be used.

For the transportation sector, the revised vehicle miles traveled (VMT) forecast prepared by the South Carolina Department of Transportation will be used. This will decrease the annual VMT growth rate by about 0.2% per year for 2005-2020 relative to the VMT forecast used for the draft.

For the industrial non-fuel use sector, the annual growth rate for 2005 to 2020 developed from an old EPA national forecast used for substitutes for ozone depleting substances will be replaced with the annual growth rate developed from a new EPA national forecast.

7. Next Steps for CECAC and Technical Work Groups (TWGs)

At its next meeting the CECAC will focus on review and approval, with revisions as necessary, of the draft "straw proposals" suggested by the TWGs for each of the pending priority policy options that the CECAC approved during its meeting today and its meeting on August 22. The CECAC will also review any recommendations from the TWGs on updates to the statewide draft inventory and forecast of emissions.

8. Agenda for CECAC Meeting #5

Chairman Hagood will coordinate arrangement of the meeting location for the CECAC's next meeting on February 22. The meeting will start at 9:00 am and run no later than 6:00 pm.

9. Public Input and Announcements

Members of the public did not provide any comments. There were no announcements.

The teleconference call was adjourned.