MIDWESTERN ENERGY SECURITY AND CLIMATE STEWARDSHIP ROADMAP 2009

MIDWESTERN GOVERNORS ASSOCIATION

Jobs+ Energy Forum

MGA

Summary of Advisory Group Recommendations

Energy Efficiency Policy Recommendations

- Require retail energy providers to make energy efficiency (EE) a priority in order to meet a region-wide energy-efficiency standard of 2 percent annual savings for electric utilities and 1.5 percent annual reductions for natural gas-utilities. EE standards should be applied consistently to investor-owned, cooperative and municipal utilities, while recognizing regulatory and other differences in customers served and service territories, making appropriate adjustments to individual goals.
- Implement changes in regulatory practices and rate designs to remove financial disincentives and provide appropriate incentives for prudent expenditures on energy efficiency by regulated utilities, including providing cost recovery for EE programs and services and providing new opportunities for utility earnings associated with the successful achievement of energy- efficiency goals.
- Adopt residential and commercial building codes that meet or exceed the national model energy codes, with an automatic, statutorily required increase to coincide with the national model code review process.
- Demonstrate public sector leadership in applying energy efficiency technologies by reducing energy consumption in existing and new government buildings by 15 percent by 2015, 20 percent by 2020 and 25 percent by 2025, relative to forecasted levels. Furthermore, 20 percent of all government buildings should be recommissioned and improved to meet or exceed current energy codes by 2015, with an additional 3 percent of buildings improved annually in each subsequent year.
- Double the installed combined heat and power (CHP) capacity in the Midwest from 10,600 MW (2008) to 21,200 MW in 2030. That level of production would represent approximately 7.5 percent of the total electricity-generating capacity in the Midwest in 2030.
- Accelerate adoption of energy efficiency technologies through additional policies such as energy efficiency education at the K-12 level, smart grid, rate-design changes, financial incentives for energy-efficiency investments and development of a Midwestern financing "took kit" for energy efficiency.

For further information on these recommendations please refer to the *Midwestern Energy Security and Climate Stewardship Roadmap: Advisory Group Recommendations.*

Renewable Electricity Policy Recommendations

- Enact or enhance existing renewable-energy standards (RESs) or objectives (REOs) so that they are sufficient to ensure that 10 percent of electricity consumed in the region comes from renewable sources by 2015 and 30 percent by 2030.
- Support regionwide adoption of Midwest Renewable Energy Tracking System (M-RETS) to provide a reliable system for certification of renewable-energy credits and for common tracking of the generation, exchange and retirement of those credits.
- Support extension of federal incentive programs such as the U.S. federal production tax credit (PTC). Support a longer-term PTC extension to provide consistency for the industry.
- Support the Midwest Independent System Operator's (Midwest ISO) Phase I and II Regional Generator Outlet Study, which outlines the transmission investments needed to meet the MGA Energy Platform goal of 10 percent renewable energy by 2015 and estimates the transmission investment needed for achieving subsequent targets in a coordinated fashion.
- Work with the Eastern Interconnection Planning Collaborative Transmission Study to complete transmission studies needed to meet renewable energy obligations in the most economical and timely manner.
- Remove regulatory barriers to regional transmission planning, siting and approval through adoption of model legislation to enhance the ability of each jurisdiction's utility regulatory commission to consider and approve multi-jurisdictional transmission projects.
- Identify and agree on Renewable Energy Zones (REZ) in each jurisdiction to ensure transmission upgrades are targeted and accomplished in advance of new wind energy developments needed to meet jurisdictional RES and REO obligations.
- Support efforts to deliver a recommended formula by 2010 for equitable and effective cost allocation in financing regional transmission. MGA should continue to coordinate these efforts with Midwest ISO, the Organization of Midwest ISO States' (OMS) Cost Allocation and Regional Planning (CARP) Work Group and the Upper Midwest Transmission Development Initiative (UMTDI).
- Develop siting guidelines for the region and a toolkit of resources to help with rational and equitable wind development that promotes the industry over the long term.
- Work with Midwest ISO and other regional transmission operators to ensure further development of additional grid-integration capacity for the region's wind resources through design, demonstration and deployment of engineering and operating strategies and technologies for grid management, wind forecasting and electricity storage.

For further information on these recommendations please refer to the *Midwestern Energy Security and Climate Stewardship Roadmap: Advisory Group Recommendations.*

Advanced Coal with Carbon Capture and Storage Policy Recommendations

- Develop, or enhance as needed, statutes and rules to have a comprehensive statutory and regulatory framework for CO_2 transport and storage in place by 2010.
- Establish a regional inter-agency CCS regulatory task force to recommend specific statutory and regulatory changes and additions that each jurisdiction out to make to ensure compatibility among jurisdictions for siting, permitting and oversight of CCS projects.
- Cooperatively develop design recommendations to allow for the establishment of geologic basin-wide carbon sequestration utilities operating on a state/provincial or inter-jurisdictional scale.
- Support and accelerate the build-out of an inter-jurisdictional pipeline network through mechanisms to enable acquisition of transportation corridors for those pipelines and coordination of siting and permitting efforts where appropriate.
- Allow for tax credits per ton of CO_2 captured for those commercial enhanced oil recovery (EOR) operations and enhanced coal bed methane (ECBM) operations using anthropogenic CO_2 that result in net storage of CO_2. These credits should supplement expected federal per-ton payments for CO_2 stored in EOR and deep saline operations, if deemed necessary for a project to be commercially viable.
- Allow for tax credits or tax abatement for new or expanded CCS project development to reduce the capital costs of investments in capture and compression components and in the build-out of the transportation infrastructure.
- Support expanding federal loan guarantees available to CCS projects and incentives for storing CO_2 through a specially-designed federal storage credit program that covers the additional cost of CCS on potential commercial projects.
- Leverage or expand federal level programs that support commercial deployment of CCS projects. Federal measures should implement and fund existing programs, commercialize new technology and develop the geologic carbon storage industry.

For further information on these recommendations please refer to the *Midwestern Energy Security and Climate Stewardship Roadmap: Advisory Group Recommendations.*

Bioeconomy and Transportation Policy Recommendations

- Continue to strengthen regional renewable and lower-carbon transportation fuel production capacity to meet the ambitious requirements of the 2007 Renewable Fuel Standard (RFS).
- Adopt state and provincial actions to improve the average fuel efficiency of passenger vehicles such as fleet-procurement standards for state vehicle fleets, tax incentives for high-efficiency vehicles and engines, production tax credits for advanced technology vehicles and efficient driver education.
- Work with affected stakeholders through MGA to develop a model regional low carbon fuel standard that will decrease the greenhouse gas (GHG) intensity of transportation fuels by 10 percent in 10 years from the start of the program.
- Provide incentives to stimulate the development of lower-carbon fuel infrastructure by working with utilities to add an electric vehicle component to "smart grid" development plans, promote demonstration projects among Midwestern auto manufacturers, establish "end of life" buyback programs for electric car batteries and create a Clean Fuel Retailers program.
- Implement a range of strategies including investment in transit, bicycle and pedestrian infrastructure, building and expanding the Midwest Regional Rail network and enabling development that promotes transportation system efficiency.
- Eliminate regulatory barriers that prevent insurers from offering mileage-based insurance.
- Enact policies such as technical assistance, financial support and workforce training that may support commercialization of low-carbon fuels, advanced energy-storage technologies, advanced drivetrains and other vehicle technologies that enable decreased fuel consumption or adoption of lower-carbon fuels.
- Facilitate the advancement of technologies ready to move from pilot to commercial demonstration phase through establishment of public and private funding mechanisms, adopt regional regulatory policies to streamline permit approval process and establishment of regional training programs for workforce development.
- Facilitate development of a sustainable and reliable biomass supply system in the region by actively participating in efforts to overcome obstacles such as conducting an inventory of biomass potential, research collaborations that identify appropriate and effective biomass feedstocks, development of sustainability guidelines and best-management practices and coordination of strategies for regional customization.
- Identify and support regional demonstration projects for the production, harvest, transport and storage of biomass feedstocks for utilization by a variety of low carbon bioenergy technologies.
- Pursue resources and leverage funding available through federal programs targeted to create and/or increase perennial biomass feedstock supply.
- Support the Chicago Region Environmental and Transportation Efficiency (CREATE) Program to secure additional necessary funding from regional, state and federal agencies to implement remaining rail improvement projects to increase rail and truck efficiency.
- Begin a regional planning process to identify infrastructure improvement opportunities and efficiency improvements for regional freight trucking, waterways and intermodal points, such as yards, ports and airports.
- Support a federally dedicated funding mechanism for rail improvements, upgrades or new projects to improve the Midwest rail system, which forms the hub for the entire nation's rail system.
- Incorporate energy use and carbon emissions criteria into state bidding processes for shipped goods and other ordering to improve freight efficiency.

For further information on these recommendations please refer to the *Midwestern Energy Security and Climate Stewardship Roadmap: Advisory Group Recommendations.*