

## **MGA BTAG Working Group Notes, May 11 & 12, Minneapolis, MN**

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Staff: Amanda Bilek (Great Plains Institute), Brendan Jordan (Great Plains Institute)

Observers: Ethan Fawley (Fresh Energy, May 11 only), Nathan Schock (POET) (substituting for Doug Berven)

### **Summary of Next Steps/Items for Follow Up from Meeting**

- Convene low carbon fuel strategies (BT 1) cluster via conference call to resolve barriers to consensus, discuss goal revisions, and review language for 1.1 and 1.3.
- Convene transportation issues (BT 2) cluster via conference call to discuss goals for 2.2 and revisions to 2.4.
- Staff to make revisions to BT 5, send to cluster for approval and then to full advisory group for final approval and sign off.
- Receive final approval and sign off via e-mail on BT 6 from full advisory group.
- Convene full group via conference call to discuss/review scenario model and vet policy priorities for roadmap executive summary.
- Biomass implementation strategy: further vetting and revisions should be made to draft implementation plan based on initial feedback from advisory group, identify a set of participants and send to full group for feedback/approval. Determine steering committee steps.
- LCFS implementation strategy: revisions will be made to draft implementation plan based on feedback from advisory group. Assemble stakeholder participants. Work with MGA steering committee on next steps.
- Transportation implementation strategy: further vetting of draft implementation plan. Identify funding sources to support implementation.
- Energy Infrastructure document: transportation infrastructure needs to be added back in once a review of Governor Rounds transportation recommendations is completed. Re-circulate a copy back out to BTAG group, specifically regarding the transportation piece.
- Determine what next steps are for PHEV group. Staff will consult with other MGA staff.
- Plan for next BTAG in person meeting; meeting date survey, logistics, agenda, ect.

### **May 11, 2009**

#### **BTAG Policy Options Document**

Objectives:

- Raise any major barriers to consensus and resolve
- Discuss and resolve sticky issues already identified
- Reach agreement to lay the document aside and focus on implementation priorities, roadmap and scenario development.

#### **BT 1.1 Market Pull and Distribution Infrastructure**

- Issue to resolve-advocating for an ethanol blend increase
  - Language did exist to advocate for a blend increase from 10% to 15-20%

- Some advisory group members expressed some discomfort with advocating for a blend increase
  - Some advisory group members strongly support advocating for a blend increase
- What should be the BTAG position?
  - Staff suggestion: Add language supporting EPA raising the blend level, but not specifying an amount.
  - If we negotiated a precise amount, what would people be willing to commit to?

#### *Discussion*

- Petition one of 54 ethanol producers to petition EPA to allow an increase in the base blend of ethanol up to 15% from the current 10%. Science supports this move based on criteria EPA has laid out previously and from the perspective of the RFS, absent a larger increase in the base blend we will be unable to meet the current RFS. Economic benefits from the move to E15 would be seen mostly in the Midwest.
- Governor Culver, Daniels and Rounds have written a letter to EPA asking to approve the waiver. Several state legislatures in the MGA footprint have passed resolutions to support the increase in the base blend.
- NDSU study: E15, 14 billion gallons to 22 billion gallons to meet a 15% blend.
- There is a technology piece consideration in a blend increase, need to think about the policy as it relates to cars to operate.
- Language added that a blend increase would need to be contingent upon cars being able to actually run on a blend increase.
- Federal support to modify engines—could consider adding an implementation mechanism.
- Question about the legacy fleet being able to operate on increase blends. New vehicles should be able to operate on a blend increase.
- Need to tie whatever increase we recommend to the technology piece., should be added into the implementation mechanisms section.

#### *Blend Level Language*

- Request a quick review by EPA for higher blend biofuel requests. Apply existing criteria to any proposal that comes before them.
- Advocate for an increase in the blend level from 10% in non-flex fuel vehicles consistent with engine technology and emission requirements. (DO NOT PUT INTO THE DOCUMENT)
- Request that the federal government accomplish what is necessary to achieve the current RFS in law to bring new biofuel plants online. (Goal ) Reorganize implementation mechanism to frame the strategies as used to meet the RFS.
- Waiver would not mandate the increase, but would still have non-blended ethanol gasoline available for small engines.
- Objections—feedstock issue, should we be making a higher value product for Midwestern farmers as opposed to trying to blend the feedstock into the existing fuel source.
- Goals—revisions to the Governor's original goals will need to be approved by Governors steering committee. E85 goals are the only ones that we have not made revisions to of the original goals.

- Go back to the Governor's staff to suggest that viable goals need to be developed to address new ways to increase biofuels production beyond E85.
- Midwest industry is unique and how we are going to meet the federal RFS target is also unique.
- E85 goals-do we want to revisit the E85 goals?
- Need to have a long-term view on emerging fuel technologies. Ethanol (E85) is the stumbling block now, but might not be in the next five years.
- E85 fuel infrastructure has a huge amount of fueling infrastructure where we should have a long-term strategy.
- UL has already certified pumps at 15% without an additional cost.
- Governors still supportive of E85. What blend level makes sense for new vehicle technology. \

#### *Recommended BT 1 changes*

- Eliminate E85 language from goals?
- Eliminate other E85 language?
- Re-add language about increasing the blend level?
- Generic goal for strategies to meet the federal RFS (needs to be added to the goal section).
- Implementation strategies laid out to achieve the federal RFS? Can we eliminate the E85 specific goals? Lay out to the governor's that we need a generic goal to meet the RFS, and move specific E85 goals into the implementation mechanisms section.
- One participant more supportive of technology neutral recommendations. Language could be re-crafted to be more technology neutral.

### 1.3 Increase Vehicle Fuel Efficiency

#### *Fleet Modernization*

- General discussion on 2 conference calls about this issue, and several options exist:
  - "Cash for Clunkers" program to replace older vehicles – is this a state policy? Or are we supporting the federal bills?
  - State fleet modernization – support for modernizing state fleets with more fuel efficient vehicles.
- Is there support for adding language to the implementation section (not a new policy, just a new implementation strategy) of BT 1.3

#### *Discussion*

- Cash for clunkers-few major details that need to be worked out. Needs to be vetted very carefully. Has not gotten the vetting that it needs to be included into the document.
- Governors have an opportunity with state fleet managers to modernize state fleets. State fleet modernization is a real opportunity.
- Cash for clunkers-embed new energy numbers for new cars, disincentives for holding onto car for a year to qualify for cash for clunkers, increase between old and new cars relating to MPG. Need to include what the cost should be to incentivize people to turn their car in for the programs. (Language that should be added to comfort to other advisory group members). Eric Sundquist willing to work on the policy to help vet the policy and to look at numbers.
- Directly compare what you get when there are incentives to purchase new highly efficient vehicles and to pay people to retire their old vehicles. The question is not just getting good language for a clunkers policy; it might not get us the biggest bang for the buck.

- Does not belong in the category of getting the highest level of GHG reductions. Complements other fuel policies, but really gives a job to the car market.
- Eliminate language in policy design, policy description and implementation mechanism (regulations and guidelines) that refers to selling European and American made cars not currently sold in the U.S. that achieve fuel efficiency standards. There are significant safety concerns for these specific vehicles and has been a barrier to them being offered in the U.S.
- Share PHEV draft from Gloria with smart grid and cross cutting issue.

#### 2.1 Vehicle Miles/Demand Management

- Rename to Rationalizing Transportation Prices
- No objections-policy complete

#### 2.2 Expand Travel Choices

- Need to add goals for passenger rail and biking and walking.
- Complete streets policies in all MGA states
- Build the MWRRRI by 2020
- Cluster also wants to revisit the transit ridership goals-may be too low.
- Debate all goals off line and adopt the current policy language.

#### 2.3 Transportation Infrastructure and Planning

- No major objections-policy complete

#### 2.4 Freight Transportation

- Lynne Bly has offered to add some language relating to ports.
- Adopt as is and re-adopt after Lynn has added some language relating to ports.

#### BT 3-Research and Technology

- Overall policy options ranked low during working group implementation priority setting in January.
- Staff added references to ARRA where appropriate.
- Simple text revisions completed, but no substantial edits.
- No major revisions have been made. Adopted without objections.

#### BT 4-Biobased Products

- Mike Bailey made revisions consistent with Ohio Department of Agriculture process.
- Adopted without objections.

#### BT 5-Biomass

- Reorganized content
- The title of the policy is perennial biomass supply. Should we consider re-titling to include annual crops?
- Woody biomass should be added as a consideration for electricity.
- Rationale for the perennial focus is to get perennials back on the landscape.
- Any fundamental objections to biomass? Not at this time, revisions will be made to the document and approved via e-mail.

#### **Roadmap and Draft Scenarios Discussion**

- Finish determining what the baseline scenarios are with Advisory Groups
- Identify a set of priority policies from each AG to be highlighted in the Roadmap's Executive Summary

- Continue to vet and adjust model to implement policies, and match assumptions and data with quantification efforts of AGs
- Perform full scenario analysis with sensitivity
- Write Roadmap with scenario analysis results and POD recommendations

#### Roadmap Outline

- Executive Summary
  - Set of prioritized policies
  - Summarize model results
- Introduction and background
- Summary of stakeholder process
- Model description
- More in-depth results from modeling
- More details from policy option documents

#### Executive Summary

- Briefly explain and highlight Midwest Region's situation – strengths, obstacles
- Present suite of policy recommendations that will achieve platform goals
- Highlight model results

#### Energy Choice Analysis

- Keep collection of policies together from all AGs
- Avoid siloing policy sets
- Need AGs to prioritize quantifiable and enabling policies
- How should we define baseline?
- Once priority set is chosen and baseline is set, need to decide how to proceed with analysis
  - Strong federal vs. weak federal
  - How do policies perform under different price circumstances
    - Low price of inputs v. high price inputs – basically oil and coal
  - Suggestions?
- What are the group's policy priorities?
- Which policies can we implement in the Energy Choice model?
- Policy choices to date:

#### Bioeconomy and Transportation

- Policy scenario choices to potentially model
  - Low Carbon Fuel Standard - intensity reduction should be at least 10 percent within 10 years after implementation by Midwestern jurisdictions.
  - Feebate system – model doesn't address fuel efficiency of vehicles – only engine type
  - Eco-driving – percentage adoption rate by drivers can increase the average fleet fuel efficiency
    - What adoption rate do they want over time?
    - 10% - is that constant over time?
  - Pay as you drive insurance – market penetration
    - 15% in 2015
    - 75% in 2025
- Our model inputs a percentage adoption by drivers over time

- Other options - need model modification
  - Fleet modernization? “Cash for clunkers”
  - Fuel taxes or subsidies – intended increasing the availability of E85 – give ethanol a subsidy - this is reflected in E10 as well – model doesn’t address the split between ethanol and gasoline
  - Vehicle miles traveled – reduction spending in van pools, bike lanes and transit – needs modification in the model
  - Renewable Fuel Standard - Federal 36 billion gallons
    - how does the look for the Midwest?
  - Perennial biomass supply – priority?
    - 2008 Farm Bill programs -
- Identify supporting and enabling policies
  - Perennial biomass supply
  - Training for fleet operators
  - Green Fuel Retailers program
  - Track mode shares
  - Increase regional research collaboration

#### *Questions and Discussion on Roadmap and Modeling*

- LCFS intersecting with cap and trade pricing. Could be included in the baseline. Decision has not been made.
- Feebate system-question relating to efficiency vs engine type. Might not want to make a change to the model, but instead to plug in what change is anticipated to result from implementing a feebate structure.
- Group is flying a little blind, because BTAG doesn’t have access to quantification. There will also need to be closer vetting of the BTAG modeled policies to ensure that the policies being modeled are having the expected inputs.
- Executive summary will only highlight four top priority policy areas, but the full roadmap will address or highlight more of the policies being discussed by the AG.
- Four policies that should be highlighted should sync up with implementation priorities and also consider 3 legged stool in addition to one other policy.
- Current policy recommendation for a price floor, but nothing else is specific to pricing. A tax would get at the price issue and provide more of an incentive to push alternative fuels rather than picking winners and losers.
- How much of the RFS gets met in the Midwest? What assumption could be made?
- Need to establish some sort of baseline and demonstrate the benefit of an RFS to the Midwest.
- Eco-driver program fits in with other provisions. Combine or keep separate a different vehicle efficiency standard. Want to support a unified national standard for vehicle efficiency. A number will be made public in the next few weeks for an increased vehicle efficiency standard; hybrid of CAFÉ and clean car programs.
- Eco-driver program, tie in with freight and fleets.
- We will need to set up a conference call to discuss more of the model.

**May 12, 2009**

**Implementation discussion**

Biomass

- Objectives
  - Review implementation strategy
  - Discuss potential participants
- Process
  - Partnership w/ NCBC
    - Stakeholders:
    - Electric utilities
    - Existing biomass projects
    - Show Me Energy
    - Ag groups
    - NGOs
    - State Departments of Ag
    - Sun Grant Initiative

*Discussion*

- Increase overall funding for Midwestern biomass projects
- Implement the goals laid out in the Policy Options Document
- Sustainability work-the governors might want to direct some work towards sustainability. How can we implement sustainable biomass? Possible Governor endorsement of using sustainable criteria or direction towards a project that has a focus on sustainability.
- Should a sustainability component be added as one of the objectives of this implementation strategy?
- Choose a preference for projects that involve cellulosic fuels
- Current focus is on federal policy, but a sustainability component would be larger than just federal.
- Consider tying projects, possibly through legislation, to sustainability criteria
- Study definitions of renewable biomass at the federal level, determine if we agree
  - Possibly address the restriction on use of forestry biomass from federal lands (can sustainability criteria result in a recommendation on inclusion of this biomass source)
- Think through a set of principles as part of the implementation strategy for both federal and state projects.
- Outline the range of types of feedstocks, sustainability issues for different feedstocks, approaches to help resolve questions that come up related to feedstock sustainability. Goal would be to provide confidence to stakeholders that a sustainability issues have been addressed.
- Consider removal levels for crop residues to maintain soil quality
- End goal would be to market fuels with a sustainability seal. Sustainable food labs are already working to market food that is sustainably produced.
- University partnerships will be important to develop research components. NCBC is putting together a network of biomass experts.

- Study definitions of renewable biomass and make sure that they are consistent with what we could consider renewable biomass. Look for any limitations that might currently be included that could limit the amount of biomass development.
- Contentious issue relating to forestry biomass harvesting from federal lands, might be a part of a sustainability initiative.
- Key decision:
  - Whether to recommend a strategy to steering committee
  - Whether to recommend an MGA/NCBC partnership
    - NCBC partnered on the LCFS work
    - No objections to pursuing this partnership
    - Sun Grant should also be included
- Biomass policy is a strong support program for the LCFS work.
- Language should be broader in the implementation document beyond perennial biomass supply, but to include annuals and forestry products.

### Low Carbon Fuel Standard

#### LCFS Background

- LCFS part of original Platform
- Year-long process in partnership with NCBC
- Final recommendation approved by LCFS Working Group in January 2009
- Final recommendations approved by BTAG in January 2009
- Final recommendations formally adopted by MGA Steering Committee in March 2009

#### What the Governors Agreed to

- Create a Regional Coordinating Body made up of regulatory agencies – this is the decision-making body for the process
- Create a Scientific and Technical Committee made up of stakeholders, which will make recommendations to the RCB

#### Process

- RCB and STC will:
  - Develop design recommendations for a MW LCFS
    - LCA rules
    - Credits and Deficits
    - Scope
    - What fuels are included
    - Etc.
  - Perform any research needed to develop a recommended policy
  - Coordinate with other regions and the federal government

#### Draft list of LCFS participants: discussion of additional participants to consider for LCFS process.

- Still need better representation from hydrogen, electricity and compressed natural gas side.
- LCFS process in CA was primarily staff driven. A MW process won't have the same staff resources. It will be critical to have active agency participation on the LCFS process, assisting staff with development.

- A LCFS hinges on how accurate the measurements will be. We should look at ways to provide value to the farmer for adopting beneficial practices.

What is unique about the Midwest and why would this make our LCFS different?

- Biofuels
- Manufacturing economy
- Oil/Tar sands
- 3<sup>rd</sup> largest population center in the U.S.
- Major coal producing states
- Resources for carbon capture
- Biofuel carbon capture demonstration project
  - Poet captures CO<sub>2</sub> at 7 facilities, liquified, and sends by truck to bottling plants
- Closed loop possibilities (wind, ethanol, fuel feedstock, all in one place w/o added transportation costs)
- Need to understand overlapping credit and regulatory systems for cap and trade and LCFS
- Is there conflict between power and fuel markets for biomass, and is there an unfair advantage given to one side because Cap and Trade uses direct emissions and LCFS uses lifecycle emissions. This may or may not be an issue.

Complete an inventory of biomass resources available for the Midwest. Need a comprehensive picture for the region.

Resources

- NREL (Milbrandt et al)
- Walsh et al
- BIO has expanded on these analyses
- Sandia has a new GM-funded inventory
- CERES – has projections on what the land could provide

Proposed emphasis

1. Recommendations for federal policies
  - RFS rule – is there time?
  - Waxman-Markey
2. Study how an LCFS would be met in the Midwest
  - What would be the environmental and economic impacts?
  - Is our mix of fuels the same or diff't than CA?
  - What unique risks/opportunities do we have?
  - What is the baseline of petroleum use and emissions, and what efficiency-related improvements are possible?
3. Indirect Land Use Change
  - What options exist beyond including ILUC in an LCA analysis for addressing international land use change
    - Credit program? Offsets?
    - EU has stated that it is an issue that should be addressed, but not through LCA scoring. Other policies should be developed
    - Direct land use must be addressed

- Would be valuable to consider other ways of addressing the problem
  - A group of U.S. ag companies made a commitment not to buy soy from converted land – Soy Moratorium. ADM and Greenpeace.
4. Final design recommendations
- Review of CA LCFS draft rule
    - Areas of agreement and disagreement
  - Focus on specific issues:
    - Use of RINs system
    - How will electricity and other advanced fuels be handled?

#### ILUC options

- Consider modeling variations (CARB number, RFA number, negative number)

Numerous federal LCFS bills have been introduced over time; these should be studied and compared

#### Providing Input to MGA Green Jobs Initiative

- Gary Yakimov, Corporation for a Skilled Workforce

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Green Jobs Initiative

Policy platform

What the workforce implications for the policies being recommended?

- Need to have diverse occupations with many skill sets (welder, pipefitter ect)
- Higher skilled jobs, but less people
- Significant investments in transportation infrastructure and capacity, systems will also need operating jobs (Amtrak, transit)
- New green economy jobs are technologies from outside of the Midwest. Training capacity does not currently exist to complete the job training. Would need to add that capacity.

Occupations-new and existing, occupations that already exist and their relevancy to accomplishing policy goals.

- Biomass
- Farmers, foresters, haulers of the feedstock, freight operators
- Biochemical and chemical operators
- Enzyme manufacturers
- Sanitation-waste water treatment
- New occupations for biomass/fuels (requires new training programs)

Investment choices

- Blue collar jobs that might run through apprenticeship programs
- Community colleges offering programs
- Capital intensive projects for this set of policy options.

## Transportation policy

### Goals:

- Implement that transportation policies and goals in the Policy Options Document

### Decision:

- Whether to continue to pursue something in this area, developing a more coherent idea and seeking funding to staff a project.

### Collective regional policies

- Midwest Regional Rail Initiative
- CREATE
- Shaping the MW response to the transportation reauthorization
  - Building on Gov. Rounds' recommendations
  - Gov's have since then gotten together to write a letter endorsing the corridor system, and to indicate recommended sequencing for lines.
  - Good foundation to work on because of the diverse support already among Midwestern governors.
- MW could weigh in on other federal bills as well
- There is a major urban/rural fight over transportation funding
- Potential ask: BTAG offers a response to the draft reauthorization bill.
- Encourage regional manufacturing of transit cars, rails, and other infrastructure
- Timing could also be good, Oberstar has indicated that a draft bill will available mid-summer.
- Need to look at the manufacturing tie ins as we move forward on implementation past September.
- If we decide to go with regional transportation strategies, we will need to get sign off from the steering committee to make sure they would welcome additional input in this area.
- We have created a transportation structure that collects revenue based on amount of gas used, but now we want to increase vehicle efficiency, which will decrease revenues.
- Governors have called to examine a VMT pricing scheme as an alternative method to collect funding for transportation.
- Could we call for a pilot project?
- Minnesota process-long term solutions for direct and indirect implications for climate and new ways to generate revenue for transportation.

### Policies benefiting region, requiring state action

- Pay-as-you-drive insurance:
  - State-by-state analysis of where this type of insurance is not allowed
  - Possible state-specific action to remove regulatory hurdles
  - Lahood floated an idea on VMT-tax
  - London has congestion pricing
  - General paradigm issue – we've generated revenue to pay for infrastructure on a "user-pays" basis, but not we are undermining this w/ efficiency priorities, etc. We need a new model for how to pay for infrastructure. Governors have called for looking at new approaches.
  - Could we call for pilot project?
  - Transportation planning and infrastructure

- How can states implement a comprehensive strategy to reduce VMT:

#### Project ideas

1. Reducing Per Capita Emissions from Driving:
  - Pricing initiative: Change the way we price transportation system use in order to reduce VMTs and GHG emissions:
    - Pay-As-You-Go as step 1
    - Investigate other per vehicle, or per mile pricing systems
  - Eco-driving program

#### Top short term transportation implementation priorities

- Ecodriver
- Pay as you go insurance
  - Pricing-insurance would be a report on short term opportunities.

#### Transportation Reauthorization

- Draft is likely to be out in 4-8 weeks, due to be renewed in September, but they could simply continue the old one if it weren't done on time.
- Convene on the phone the people who were involved in the state climate taskforces to provide input on this issue
- We should focus on a discreet set of issues:
  - What energy and climate issues should be integrated into the transportation bill
    - Performance standards
- Convene on the phone people who were involved in state climate taskforces to provide input on this issue.

#### **Next steps**

- Energy Infrastructure
  - Transportation infrastructure needs to be added back in once a review of Governor Rounds transportation recommendations.
  - Re-circulate a copy back out to BTAG group, specifically regarding the transportation piece.
- Reconvene 1.1 and make changes to 1.3 to be review by the cluster
- Review minor POD changes BT 2
- Need to sign-off on BT 6
- Resolve w/other staff who is doing what with PHEV cross-cutting policy-Lynne Bly interested in working on policy
- Additional meeting in Chicago, staff will work to get scheduled