



SOLUTIONS

What is the solution to reducing greenhouse gas emissions without harming the economy?

- Policy-makers should tackle the issue on the national – and international – levels. It’s the only way we can make a significant impact on reducing greenhouse gases on a global level.
- Lawmakers should not pursue any state or regional cap-and-trade policy without first knowing the economic impact on businesses and families. Additional studies on the regional cap-and-trade system will be released in 2009.
- The Minnesota Legislature should lift the ban on nuclear power plants. Nuclear power is clean energy and emits zero greenhouse gases.

Are there ways that individuals and businesses can become more energy efficient and thereby reduce costs on their own?

Yes. Minnesotans can and should conserve energy, regardless of whether there is global warming. The benefits are twofold: We save money and reduce emissions.

The Minnesota Chamber of Commerce recently launched a new program, **Energy Smart**, to help businesses become more energy efficient. Energy Smart is a statewide initiative designed to help businesses save money by taking advantage of conservation programs and increasing energy efficiency in their buildings and operations. The program is open to all Minnesota businesses and is especially targeted toward small and mid-sized businesses.

More information can be found on their Web site at: www.mnenergysmart.com.

THE BOTTOM LINE:

Minnesota contributes only 0.37 percent of global manmade greenhouse gases and is already recognized as a leader in environmental policies. The State Legislature should not implement an additional cap-and-trade regulatory system that will diminish our state as a place to live and do business. Global climate change needs to be addressed at the national and international levels.



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FACT CHECK:
GLOBAL CLIMATE CHANGE
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“CAP AND TRADE” AND THE IMPACT
ON MINNESOTA’S ECONOMY

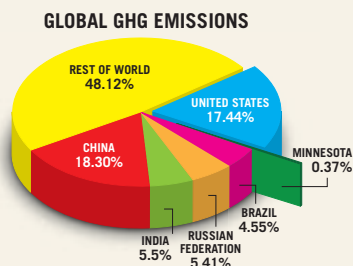




There is a growing concern that worldwide emissions of manmade greenhouse gases are affecting global climate change. What does that mean in Minnesota?

How significant is Minnesota's contribution to global greenhouse gas emissions?

Minnesota contributes only 0.37 percent of manmade global greenhouse emissions, according to 2006 statistics. In comparison, China and the United States each contribute about 20 percent.



What is being proposed to reduce manmade greenhouse gas emissions?

The current debate for reducing emissions is centered on a system called “cap-and-trade.” Europe is implementing a cap-and-trade system and there is legislation before Congress which proposes a federal program in the United States. The state legislature has also debated a Minnesota-only cap-and-trade and is considering a regional system with other Midwestern states.

What is cap-and-trade?

A cap-and-trade program is intended to gradually reduce the amount of greenhouse gases from air emissions and uses a trading market in an attempt to keep the costs of reducing emissions as low as possible. Here's how it would work:

Let's say that total emissions for a facility are currently 100 units and that in two years the “cap” will be imposed at 80 units. The facility must either reduce emissions by 20 units, or go to the market and buy emission “allowances.” If it is less costly to reduce than to buy in the market, the facility will reduce emissions. If it is not cost effective, the facility will buy the allowances in the trading market. The total cap on allowances – 80 units in two years – ensures that emissions are reduced by 20 percent. The market cost of a unit of emissions will determine where the actual reductions will be made by the facilities subject to the cap.

Why is Minnesota considering a state or regional cap-and-trade solution if they are only .37 percent of the manmade problem?

Good question. Advocates for reducing greenhouse gases argue that Minnesota should be a leader in protecting the environment, thereby setting an example for the United States to lead on the world stage.

In fact, Minnesota already is at the national forefront in several areas. For example:

- **Renewable energy:** Minnesota electric utilities will generate 25 percent of their energy from renewable energy sources by 2025. For Xcel Energy, the mandate is 30 percent by 2020—this is the most aggressive mandate in the U.S.
- **Conservation:** Minnesota's electric and gas utilities have a state-mandated goal of reducing demand by 1.5 percent on an annual basis.
- **Greenhouse gases:** Minnesota has a goal for statewide reduction of greenhouse gases of: 15 percent by 2015, 30 percent by 2025 and 80 percent by 2050.

Minnesota is a leader in environmental protection, renewable energy and energy conservation. It is equally important that Minnesota policy-makers be leaders in protecting Minnesota jobs, not by passing legislation that will harm our economy.

Some environmental activists challenge Minnesota policy-makers to “do something” by asking: “Isn't the cost of doing nothing greater?”

The desire to “do something” may be noble, but an even greater concern should be the creation of a new regulatory system that doesn't work and actually damages Minnesota's economy and the environment.

What are the economic impacts of a regional cap-and-trade policy?

In 2008, an economic analysis was commissioned by Partners for Affordable Energy and several other Minnesota business associations and utilities to study the effects of the proposed regional cap-and-trade regulations in Minnesota. The report, done by CRA International, shows that a regional policy will have a significant economic impact on families and employers. Here are the results by the numbers:

- **17%** – the increase in **electricity prices** that average Minnesota households will see by 2015
- **33%** – the increase in **electricity prices** that Minnesota companies will see by 2015



- **53%** – the increase in **electricity prices** that Minnesota companies will see by 2025
- **21,000** – the net job loss in Minnesota by 2015.
- **30,000** – the net job loss in Minnesota by 2025

The net job loss statistics are especially noteworthy because they factor in job growth from the development of “green jobs.” Even with the addition of these “green jobs,” Minnesota will still see a net job loss due to cap-and-trade.

Every Minnesotan will be affected. Families will face increased costs for energy, goods and services. Paper manufacturing, mining, agriculture and other energy-intensive industries will face the immediate effects, but the impact will ripple through the entire state economy. Every employer will be forced to decide between absorbing the increased costs, or closing or moving operations to less costly locations.

Would a state or regional policy have an impact on the problem?

Common sense dictates that if Minnesota is only 0.37 percent of the worldwide human problem, then reducing greenhouse gases in Minnesota alone will hardly be noticed on a global scale. In fact, the evidence confirms that even a successfully implemented regional cap-and-trade system will have little impact on global carbon emissions.

- In 2050, even with Minnesota meeting its emission reduction goals, the total **U.S. carbon emissions will still increase by at least 49 percent.**
- The emission reductions required by 2015 in the Next Generation Energy Act of 2007 will be **offset by China's increase in emissions in approximately two weeks.**

Minnesota's regulations are already among the strictest in the United States. Additional regulatory costs will force some companies to look elsewhere in the world where caps on greenhouse gases don't exist. If those operations move to countries with lower or nonexistent standards, then Minnesota will not only have lost jobs but we will have failed to reduce global greenhouse gases. In fact, we may even have made the problem worse.



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