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March 12, 2009

Honorable Pat Quinn
Governor
JRTC 16th Floor
100 West Randolph Street
Chicago, IL 60601

Re: Midwest Governors Accord Climate Change Process

Dear Governor Quinn:

The Illinois AFL-CIO and its member unions are participating in the ongoing Midwest Governors Association Greenhouse Gas Advisory Group process. This initiative, supported by former Governor Blagojevich, began in November 2007 during the Bush Administration. It was intended to demonstrate regional leadership on global climate change in the face of inaction in Washington.

The MGA process is now developing draft recommendations for potential climate change actions by the six signatory states, including Illinois, which signed the MGA Accord in Milwaukee in November 2007. These actions include a potential regional "cap-and-trade" policy for reducing emissions of greenhouse gases. We have serious reservations about pursuing such a policy.

In July 2007, the Illinois Climate Change Advisory Group was unable to agree on a cap-and-trade policy for Illinois, based in part on economic modeling showing that it would greatly increase electric power imports into Illinois while reducing coal utilization at existing plants by 36 percent. Our analysis of the Illinois cap-and-trade modeling results shows that this program would cause the loss of 20,000 jobs and a reduction of state GDP of \$2 billion annually. Emission reductions would be minimal due to increased emissions from states outside Illinois.

We supported then, as we do now, some 19 renewable energy, energy efficiency and conservation measures unanimously recommended by the ICCAG. Policies that encourage energy conservation and efficiency are good examples of initiatives that states can undertake to complement federal climate change legislation.

While the MGA Accord committees have been meeting over the past year, the political situation in Washington has changed dramatically. Both President Obama and the Democratic leadership of the Senate and House of Representatives have pledged to have national cap-and-trade legislation in place by the end of this year. Meanwhile, the domestic

economy has entered into a severe recession with massive job losses throughout the country. Illinois and other Midwest states have been particularly hard hit by layoffs and plant closures.

We understand that environmental advocates are circulating draft cap-and-trade legislation in Illinois and other MGA Accord states, seeking to establish state programs in advance of federal legislation. Some claim that states could benefit from allowance auction revenues raised by such programs.

We disagree. Imposing a state auction requirement in advance of federal legislation would require large new state bureaucracies to administer and enforce a cap-and-trade program. It also would deter investment in new industries due to the risks of a "double carbon tax" imposed at both the state and federal levels. Moreover, a state cap-and-trade program would produce no measurable environmental benefit once a federal program is in place.

With the severe economic downturn, it will be difficult for us to support any new legislative initiatives that would duplicate pending federal climate initiatives, while threatening further loss of jobs at existing industries. Illinois has lost hundreds of thousands of high-paying manufacturing jobs in the past few years, and the Great Lakes region leads the nation in unemployment. Our automotive manufacturing infrastructure is on the brink of bankruptcy, threatening further massive job losses and economic dislocation for millions of families.

We are pleased that the preliminary MGA design recommendations call for the program to "enable transition to, or harmonization with, any future federal program..." There is little point – or any economic advantage – in pursuing a regional cap-and-trade program that would duplicate a comprehensive federal climate change program.

These considerations lead us to recommend that the "design principles" from the MGA Accord process should be used as a template for Midwestern state responses to a federal cap-and-trade program, rather than as the basis for state legislative initiatives tied to a temporary regional cap-and-trade program. The MGA process is focused on developing programs and policies suitable for the Midwest. Participating states should now take the recommendations from the Accord process to Washington, to provide Midwest input to the design of national climate policies.

Sincerely,



Michael T. Carrigan
President

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Cc: Senate President John Cullerton, House Speaker Michael Madigan, Senate Minority Leader Christine Radogno, House Minority Leader Tom Cross

State AFL-CIO Presidents in: MI, WI, OH, IN, MN, IA, KS