

DECISION PATHWAY TABLE

	PROGRAM DESIGN QUESTION	DECISION PATHWAY	
		<u>Information Needs</u> What facts or analyses are needed for a decision?	<u>Deliberation Plan</u> How will the group make its decision?
1. SETTING TARGETS	<p>What emissions reduction target will the participating states adopt for the region?</p> <ul style="list-style-type: none"> ▪ What are the emissions reduction targets for participating states? ▪ For those states without targets, when will targets be set? 	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ Inventory and business-as-usual projections for all states with targets ▪ Targets for Midwestern states ▪ Examples of GHG targets in other jurisdictions ▪ Information on planning processes for states without targets 	<p>One possible path for reaching decision:</p> <ul style="list-style-type: none"> ▪ Gather targets from participating jurisdictions ▪ Roll up state targets to determine regional target ▪ Determine process for integrating state targets not yet set, if desired
2. PROGRAM SCOPE	<p>What sectors or fuels will the cap-and-trade program cover?</p> <ul style="list-style-type: none"> • Electricity sector? • Industrial sector? • Transportation sector? • Buildings sector? • [Forestry?] • [Agriculture?] • What fuels? (coal, natural gas, oil) <p>Will all sectors be brought in at once or will they be phased in?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> • What have other programs done? • Are data available for each sector? • Is including the sector feasible? Practical? • Will inclusion of a sector lower overall costs? 	<p>One possible path for reaching decision:</p> <ul style="list-style-type: none"> ▪ Establish subgroup to make recommendation on scope and point of regulation ▪ Have WRI/Pew present information on other programs ▪ Review data information ▪ Subgroup makes recommendation to plenary group ▪ Plenary group makes decision

<p style="text-align: center;">3. POINT OF REGULATION</p>	<p>What entities will be covered in each sector? Uptstream or downstream entities?</p> <ul style="list-style-type: none"> • Which electricity entities? <ul style="list-style-type: none"> ▪ Generators? First sellers? Load-serving entities? Or fuel providers? • Which industrial sources or source categories? • Which transportation sources or fuels? • Which building sector sources or fuels? 	<p>Some potential information needs:</p> <ul style="list-style-type: none"> • What have other programs done? • Are there legal or jurisdictional limits on regulating particular entities? • Is it practical to regulate certain entities or sources? 	<p>One possible path for reaching decision:</p> <ul style="list-style-type: none"> ▪ Include issue in the scope subgroup's tasks.
<p style="text-align: center;">4. SETTING THE CAP</p>	<p>What will the initial cap or caps be for the cap-and-trade program?</p> <ul style="list-style-type: none"> ▪ Will caps be set by state, by sector or both? <p>What reductions will be achieved through the cap-and-trade program?</p> <ul style="list-style-type: none"> ▪ Will the reduction schedule be uniform for each state, each sector or both? 	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ What emissions data are available? ▪ What data should be gathered through mandatory emissions reporting? ▪ What modeling analysis is needed? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> ▪ May be an issue for the plenary group, informed by the modeling analysis ▪ Consider creating small modeling subgroup

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">5. ALLOWANCE DISTRIBUTION</p>	<p>How will allowances be distributed?</p> <ul style="list-style-type: none"> • What are the midwest’s objectives to be achieved through allowance distribution (e.g., transition assistance, encourage technology innovation, consumer protection, etc.) • Will allowances be allocated to sources? If so, on what basis? Plant output? Historical emissions? • Will allowances be auctioned? • Will a share of the allowances be allocated and a share auctioned? Will that share change over time? <p>Will allocation methods be similar across the region, or will the decision be left to states?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ How have other programs approached allowance distribution and why? ▪ Are emissions and/or output data available to support the allocation method? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> ▪ Establish an allowance distribution subgroup to make recommendation on allowance distribution ▪ Or plenary group could decide to let each state decide on its own
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">6. OFFSETS</p>	<p>Will offset credits be awarded for project-based reductions?</p> <ul style="list-style-type: none"> • Will there be a limit on: <ul style="list-style-type: none"> ▪ Where offset projects may be located? ▪ How many offsets may be used for compliance by covered entities? • Which project types will be allowed? <p>How will the program ensure that offset reductions are real, verifiable, additional, permanent and enforceable?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ How have other programs approached offsets and why? ▪ What offsets are likely to be available and where, and at what cost per ton? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> ▪ Establish an offsets subgroup to make recommendation on allowance distribution ▪ Plenary group could decide to develop offsets component as a second design phase

<p>7. EMISSIONS REPORTING</p>	<p>How will emissions be monitored and reported by affected sources?</p> <ul style="list-style-type: none"> ▪ Will mandatory emissions monitoring precede program start? <p>How will emissions and allowances be tracked in the program?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ How have other programs approached reporting and why? ▪ 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> ▪ Establish an emissions data subgroup to address emissions data gathering and emissions reporting
<p>8. EARLY ACTION</p>	<p>How will early actions to reduce emissions be treated?</p> <ul style="list-style-type: none"> • Will early action credits be awarded out of the allowance budget? (If so, what actions will be creditable and using what crediting period?) <p>Will early action be encouraged in some other way?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ How have other programs approached early reductions and why? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> ▪ Probably not worthy of its own subgroup, but could assign topic to allowance distribution subgroup
<p>9. COST CONTAINMENT</p>	<p>What flexibility provisions will be included in the program?</p> <ul style="list-style-type: none"> • Length of compliance periods? • Banking of allowances? • Borrowing of allowances? <p>Will a safety valve or allowance price cap be included in the program?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ How have other programs approached cost containment and why? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> • Probably not worthy of its own subgroup, but could assign topic to another subgroup. • Could handle as a plenary matter
<p>10. ENFORCEMENT</p>	<p>What enforcement mechanisms will the cap-and-trade program include?</p> <p>Will affected sources pay a penalty for noncompliance?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ How have other programs approached enforcement and why? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> • Probably not worthy of its own subgroup, but could assign topic to another subgroup • May want to assemble group of lawyers from participating states to address this and other legal issues

11. COMPLEMENTARY POLICIES	<p>How will the cap-and-trade program interact with the other policies in the states?</p> <ul style="list-style-type: none"> • How do other programs affect stringency of cap-and-trade program? • How would states ensure no backsliding on existing standards? <p>How would other policies affect scope and allowance allocation decisions?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ What complementary policies are anticipated in participating states? ▪ What share of the overall reductions are those measures estimated to accomplish? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> • This issue relates to overall stringency questions and may best be handled by the plenary group
12. LINKING	<p>Will the program link to other existing emissions trading programs?</p> <ul style="list-style-type: none"> • What criteria will apply to linking decisions? <p>Will the program link to the EU ETS, to RGGI, to the Kyoto CDM?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ What design issues are most likely to bear on the potential to link with other programs? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> • Decision on linking can be deferred to later
13. ENACTMENT	<p>How will the program be established in law by each partner jurisdiction?</p> <ul style="list-style-type: none"> • Will new legislation be required? <p>Will a rulemaking be required and by which state agency?</p> <p>How will the states amend the regional program over time, if and when necessary?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ What are the legal requirements for each jurisdiction? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> • May want to assemble group of lawyers from participating states to assess legal situation.
14. PARTICIPATION	<p>What provisions will govern participation in the program?</p> <ul style="list-style-type: none"> • How will new partners be added to the program? • How may a partner withdraw? <p>How may a partner be expelled?</p>	<p>Some potential information needs:</p> <ul style="list-style-type: none"> ▪ How have other regional programs approached this issue? 	<p>Some ideas for reaching decision:</p> <ul style="list-style-type: none"> • Probably a plenary decision. • May want to include provisions in the group's memorandum of understanding or other agreement.