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**DRAFT MEETING MINUTES
ARIZONA CLIMATE CHANGE ADVISORY GROUP (CCAG)**

Salt River Project Public Administration Building
1521 North Project Drive, Tempe
Meeting #4 – March 17, 2006

Members in attendance:

Bahr, Berry, Clark, Cook, Crosswhite, De Masi, Downey, Elliott, Engel, Etsitty, Mathai (for Fox), Gatewood, Hayslip, Henness, Mohin, O'Regan, Owens, Pfeifer, Schlegel, Swetnam, Taylor, Tobin

Members absent:

Boyd, Cuning, Gammage, Homer, Kinsall, Kramer, Martin, McGinnis, Netko, Pfister, Ramirez, Seitts, Seitz

Discussion items:

1. Tom Peterson of the Center for Climate Strategies (CCS) facilitated the meeting, reviewed the agenda and explained the purpose of the meeting in the context of the overall master schedule. The purpose of this meeting is two-fold:
 - a. To provide the Climate Change Advisory Group (CCAG) with brief descriptions and policy design parameters of the 50 options that the CCAG had previously identified as high priority for analysis or worthy of further consideration for possible inclusion in the final report. The options would be presented by sector (Energy Supply, Transportation and Land Use, Residential-Commercial-Industrial Use, Agriculture-Forestry, and Cross Cutting Issues) and each option would be placed in one of four categories for next action:
 - i. Quantifiable options endorsed by the CCAG (19 options)
 - ii. Difficult to quantify options endorsed by the CCAG (11 options)
 - iii. Quantifiable options lacking a clear straw proposal but generally endorsed by the CCAG (20 options)
 - iv. Options not presently endorsed by the CCAG (zero options at this time)
 - b. To gain CCAG authorization for CCS to quantify benefits and costs for options endorsed by the CCAG, as well as to draft final language for presentation in the next round of technical work group (TWG) discussions.

- i. For options that the CCAG endorses but which are either difficult to quantify, CCS is authorized to draft final language for presentation in the next round of TWG discussions.
 - ii. For options that the CCAG generally endorses in concept but for which a clear straw proposal is unavailable, CCS is authorized to develop a straw proposal based on examples of actions provided by others states, and to present estimated benefits and costs in the next round of TWG discussions. Informal discussions with TWG members may be used to further specify key parameters.
2. In response to questions, Peterson clarified that members' comments received in this meeting would be incorporated into a red-lined version of the Policy Option Description document and, as relevant, factored into CCS' quantification process. Results of this process will be presented to the TWGs before the next CCAG meeting on May 16. CCAG members' level of support for each option and any barriers to consensus will be noted at the May 16 CCAG meeting.
3. For each option, TWG facilitators presented descriptions and the proposed next steps for quantification. (See yellow-highlighted areas of the Policy Option Description document for specific modifications to the options.)
 - a. Residential-Commercial-Industrial Sector (12 options)
 - i. Michael Lazarus and David von Hippel of CCS presented the options.
 - ii. For several options, some members asked how the percentage rate of GHG emission reduction was selected and if CCS could bracket the numbers proposed for use in quantification (i.e., run a range of numbers as opposed to one). CCS offered that the preference is to run one set of numbers; the TWG can decide an alternative based on the results of the first run.
 - iii. A member commented that several options involve proposed incentives, which could add up to a sizable financial obligation. CCS was asked to keep track of these kinds of options. Tom Peterson said that by the next meeting, members will be able to see the number of options that involve public funding and have a sense for the cumulative GHG emission reductions that result.
 - iv. A few members proposed that the CCAG consider endorsing a state cap on GHG emissions, which resulted in significant discussion.
 1. CCS noted that this option (RCI 11 – GHG Trading and Commitments) tracks with a similar one in the Energy Supply (ES 4). The CCAG agreed to merge this option with ES 4 and to return it for further discussion in the ES TWG.
 - v. Except as noted above, the CCAG affirmed next steps for the RCI options as proposed.
 - b. Energy Supply Sector (12 options)
 - i. Ken Colburn and Eric Williams of CCS presented the options.
 - ii. The bulk of discussion in this sector was devoted to ES 4 (Cap and Trade), with a few members proposing 1) that the CCAG examine a cap-only scenario and 2) that CCS attempt to quantify the emissions reduction potential if a cap was in place. There was objection to this approach, and the ES 4 option, as noted above, was returned to the ES TWG for further discussion.

- iii. Members discussed modifying the proposed quantification strategy for ES 1 (Environmental Portfolio Standard) to include a fourth scenario: evaluating SRP comporting to the Arizona Corporation Commission EPS requirements. CCS agreed to do and to report any issues or problems it encountered to the TWG.
 - iv. It was noted that ES 5 (Generation Performance Standards), ES 6 (Carbon Intensity Targets) and ES 7 (Voluntary Utility CO2 Targets and/or Trading) are variations of a similar concept, and there was a proposal to combine the three options into one option with varying implementation mechanisms. CCS offered to consolidate these options into a single analysis with alternate run scenarios.
 - v. There was lack of agreement about whether to retain ES 8 (CO2 Tax) among the list of options for further consideration. CCS indicated that members will have an opportunity at the next two CCAG meetings to make such decisions.
 - vi. CCS noted that ES 9 (Reduce Barriers to Renewables and Clean Distributed Generation) has conceptual overlap with RCI 6 and RCI 7. It was proposed that one analysis be completed to involve all three options and for the ES and RCI TWGs to confer about the results.
 - vii. Except as noted above, the CCAG affirmed next steps for the ES options as proposed.
- c. Transportation and Land Use Sector (7 options)
- i. Karl Hausker and Maureen Mullen of CCS presented the options.
 - ii. No significant objections or concerns were raised, and the CCAG affirmed next steps as proposed for all 7 options with additional considerations noted for expanded use of renewable biofuels, particularly as they overlap with agriculture and forestry options.
- d. Agriculture and Forestry Sector (15 options)
- i. Tom Peterson and Steve Roe of CCS presented the options. Due to time constraints, the CCAG agreed to dispense with individual presentation of each option and the 15 options were considered as a group.
 - ii. No significant objections were raised, and the CCAG affirmed next steps as proposed for all 15 options.
- e. Cross Cutting Issues (4 options)
- i. Tom Peterson and Ken Colburn of CCS presented the options. The presentation was primarily devoted to the CC TWG's development of scenarios for setting a state GHG emissions reduction target and timeline.
 - ii. There was some discussion about how to take into account Arizona's historic and anticipated future growth, which significantly outpaces what other states have experienced.
 - iii. A member asked whether the point of target-setting is to slow the rate of emission growth or to lower GHG emissions below historic levels. The group was not decided on its objective or goal for GHG targets and agreed to further discussions in the CC TWG.
 - iv. There was a suggestion that the target scenarios be extended beyond 2020 in order to show continued improvement over time of the efforts being proposed

and already in place. There was no objection to this proposal, although it was noted that early actions to reduce GHG emissions may have a more significant effect on long-term reductions.

Actions taken:

The CCAG affirmed the proposed next steps for the 50 options as presented by CCS, or as modified in the meeting. CCS will revise the Policy Option Description document and recirculate to CCAG members a red-lined version showing the agreed-upon changes. CCS will begin quantification of the options based on the outcome of the meeting and report its findings to the TWGs before the next CCAG meeting in May. CCS will also begin drafting the final report language and will be prepared to present a draft at the next CCAG meeting.

Announcements:

The next meeting of the CCAG will be held on Tuesday, May 16, 2006, beginning at 9:30 a.m. at the Salt River Project Public Administration Building, 1521 North Project Drive, Tempe.

Agenda items for the next CCAG meeting will include presentation of the quantified results for each of the options being considered for inclusion in the final report and presentation of preliminary draft text for the final report. At the meeting, members will be asked to agree on as many options as possible for inclusion in the final list of recommendations. If barriers to consensus are identified, members will be asked to specifically identify the reasons for objection, to propose alternatives to address the barrier, and to determine next steps for the option in question (i.e., inclusion, further discussion, or exclusion).

TWG facilitators will schedule a single round of TWG conference calls, to occur before the May 16 CCAG meeting, for the purpose of reviewing the results of the quantification work.