LRB-0193/1 RCT:wlj:sh

## 2007 ASSEMBLY BILL 157

March 12, 2007 – Introduced by Representatives Black, Boyle, Molepske, Hebl, Berceau, Parisi, Hilgenberg, Sinicki, Pocan, Benedict, Pope-Roberts and Smith, cosponsored by Senators Miller, Erpenbach, Risser and Lehman. Referred to Committee on Natural Resources.

AN ACT to amend 299.95; and to create 15.347 (5), 15.347 (6), 20.370 (2) (cj) and chapter 286 of the statutes; relating to: management of greenhouse gases, granting rule-making authority, and providing penalties.

## Analysis by the Legislative Reference Bureau

This bill provides for the management of emissions of specified greenhouse gases, including carbon dioxide. Greenhouse gases are gases that trap heat in the atmosphere. The bill treats greenhouse gas emissions from the generation of electricity that is generated outside this state but is used in this state as though the emissions occurred in this state.

## Initial requirements

The bill requires the Department of Natural Resources (DNR) to promulgate rules requiring the monitoring and reporting of greenhouse gas emissions by significant sources of those emissions. DNR must phase in the requirements beginning with the types of sources that emit the most greenhouse gases.

The bill requires DNR to determine the level of greenhouse gas emissions in this state in 1990 (including emissions from the generation of all electricity used in this state) and to set a statewide greenhouse gas emission limit for 2020 that is equivalent to the 1990 level. The deadline for setting the limit is January 1, 2009.

The bill requires DNR to identify measures for reducing greenhouse gas emissions that can be implemented before the full planning and rule-making process described below. DNR must then make rules implementing the interim measures, to take effect no later than January 1, 2011.

### Long-term planning and rule making

The bill requires DNR to approve a plan, no later than January 1, 2010, for achieving reductions of greenhouse gas emissions that are technologically feasible and cost-effective. The bill authorizes DNR to make recommendations concerning various methods of achieving reductions in greenhouse gas emissions, the methods include mandating specific actions to be taken, allowing greenhouse gas emission sources to implement alternative methods to specific actions that would otherwise be mandated, and authorizing the use of what are called market-based compliance mechanisms.

The bill requires DNR to promulgate rules, to take effect no later than January 1, 2013, specifying greenhouse gas emission limits and measures to achieve greenhouse gas emission reductions, in furtherance of achieving the statewide greenhouse gas emission limit. The bill imposes several requirements on DNR relating to the rules, for example, to design the rules in a manner that is equitable and seeks to minimize costs and maximize benefits, to give credit to emission sources that voluntarily reduce emissions before the rules take effect, to ensure that emissions of certain air pollutants do not increase, and to limit the extent to which reductions in emissions in this state are offset by increases in emissions outside the state.

The bill includes specific prerequisites to including market-based compliance mechanisms in the rules. Market-based compliance mechanisms include arrangements under which a source that would otherwise be required to reduce its emissions by a specified amount instead satisfies the requirement by buying emission credits from a source, which may be outside of the state, that reduces its emissions by more than is otherwise required.

#### Governor's authority

The bill allows the governor to extend deadlines in the bill or in rules promulgated under the bill in the event of extraordinary circumstances, catastrophic events, or threat of significant economic harm. Each extension may not exceed one year, but the governor may make additional extensions.

## Other provisions

The bill provides civil and criminal penalties for violations of the greenhouse gas management provisions. The penalties are the same as under the current air quality laws.

The bill authorizes DNR to impose fees on greenhouse gas emission sources that are regulated under the bill. The bill also requires state agencies to take actions to reduce their greenhouse gas emissions.

The bill creates two bodies to advise DNR about greenhouse gas management. These are the Greenhouse Gas Management Environmental Justice Council and the Greenhouse Gas Management Economic and Technology Advancement Council.

Because this bill creates a new crime or revises a penalty for an existing crime, the Joint Review Committee on Criminal Penalties may be requested to prepare a report concerning the proposed penalty and the costs or savings that are likely to result if the bill is enacted.

1

8

9

10

11

12

13

14

15

16

18

19

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

# The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

15.347 (5) Greenhouse gas management environmental justice council.

There is created in the department of natural resources a greenhouse gas management environmental justice council consisting of at least 3 members, appointed by the secretary of natural resources from nominations received from environmental justice organizations and community groups, representing communities that have the most significant exposure to air pollutants, including

**Section 1.** 15.347 (5) of the statutes is created to read:

populations.

**Section 2.** 15.347 (6) of the statutes is created to read:

15.347 **(6)** Greenhouse gas management economic and technology advancement council consisting of members appointed by the secretary of natural resources.

communities with minority populations and communities with low-income

**SECTION 3.** 20.005 (3) (schedule) of the statutes: at the appropriate place, insert the following amounts for the purposes indicated:

**2007-08 2008-09** 

## 20.370 Natural resources, department of

- (2) AIR AND WASTE
- 20 (cj) Greenhouse gas management PR A -0- -0-

24

1	<b>Section 4.</b> 20.370 (2) (cj) of the statutes is created to read:
2	20.370 (2) (cj) Greenhouse gas management. The amounts in the schedule for
3	greenhouse gas management activities under ch. 286. All moneys received under s.
4	286.35 shall be credited to this appropriation account.
5	<b>Section 5.</b> Chapter 286 of the statutes is created to read:
6	CHAPTER 286
7	GREENHOUSE GAS MANAGEMENT
8	286.01 Definitions. In this chapter:
9	(1) "Allowance" means an authorization to emit, during a specified year, up to
10	one ton of carbon dioxide equivalent.
11	(2) "Alternative compliance mechanism" means an action, including a flexible
12	compliance schedule, alternative control technology, process change, or product
13	substitution, undertaken by a greenhouse gas emission source that is approved by
14	the department and that achieves an equivalent reduction of greenhouse gas
15	emissions over the same period as a specific action that would otherwise be required
16	under this chapter.
17	(3) "Carbon dioxide equivalent" means the amount of carbon dioxide by weight
18	that would produce the same impact on global warming as a given weight of another
19	greenhouse gas.
20	(3m) "Carbon sequestration" means the long-term storage of carbon in water
21	bodies, soil, vegetation, or geologic formations.
22	(4) "Cost-effective" means economical in terms of cost per unit of reduced
23	emissions of greenhouse gases expressed in carbon dioxide equivalents.

(5) "Department" means the department of natural resources.

- **(6)** "Direct emission reduction action" means an action to reduce greenhouse gas emissions taken by a greenhouse gas emission source at the greenhouse gas emission source.
- (7) "Emission reduction measure" means a program, action, standard, or alternative compliance mechanism authorized under this chapter, applicable to a greenhouse gas emission source or category of greenhouse gas emission sources, that is designed to reduce greenhouse gas emissions or to remove carbon from the atmosphere.
- (8) "Greenhouse gas" means carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexaflouride.
- (9) "Greenhouse gas emission limit" means an authorization by the department to emit up to a specified amount of greenhouse gas, expressed in carbon dioxide equivalents, during a specified year.
- (10) "Greenhouse gas emission source" means a source of greenhouse gas emissions.
  - (11) "Market-based compliance mechanism" means any of the following:
- (a) A system of market-based declining annual aggregate emission limitations for significant sources or categories of significant sources.
- (b) Greenhouse gas emission exchanges, banking, credits, or other transactions, governed by rules promulgated by the department, that result in the same reduction in greenhouse gas emissions over the same period as direct compliance with a greenhouse gas emission limit or emission reduction measure adopted by the department under this chapter.
- (12) "Significant source" means a greenhouse gas emission source that is identified under s. 286.03.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

- (13) "Statewide greenhouse gas emissions" means the total annual amount of emissions of greenhouse gases in this state plus the total annual amount of emissions of greenhouse gases from the generation of electricity outside this state that is delivered in this state, including transmission and distribution line losses, expressed in tons of carbon dioxide equivalent.
- (14) "Statewide emission limit" means the maximum allowable level of statewide greenhouse gas emissions, determined by the department under s. 286.09 (1) (c), expressed in tons of carbon dioxide equivalent.
- 286.03 Identification of significant sources. The department shall identify those greenhouse gas emission sources and categories of greenhouse gas emission sources with emissions that are at a level of significance such that their participation in the program under this chapter will enable the department to effectively reduce greenhouse gas emissions and monitor compliance with the statewide emission limit.
- 286.05 Greenhouse gas emission reporting. (1) Rules. The department shall promulgate rules that require the annual reporting and verification of greenhouse gas emissions from significant sources and that provide for the monitoring and enforcement of compliance with the reporting and verification requirements.
- (2) REQUIREMENTS CONCERNING RULES. In the rules promulgated under sub. (1), the department shall do all of the following:
- (a) Phase in the requirements to monitor and report greenhouse gas emissions beginning with the significant sources or categories of significant sources that contribute most to statewide greenhouse gas emissions.

(b) Require the monitoring and reporting of greenhouse gas emissions from the
generation of electricity in this state and from the generation of electricity outside
this state that is delivered in this state, including transmission and distribution line
losses.

- (c) To the extent appropriate and feasible, incorporate methods developed under s. 285.78 for the registration of early reductions of greenhouse gas emissions and avoid significantly altering the reporting or verification program of a significant source that registered reductions of greenhouse gas emissions under s. 285.78 before December 1, 2007, except as necessary to ensure that reporting is complete and verifiable for the purposes of compliance with this chapter.
- (d) Ensure rigorous and consistent accounting of greenhouse gas emissions and provide for reporting tools and formats that ensure collection of necessary data.
- (e) Ensure that significant sources maintain comprehensive records of all reported greenhouse gas emissions.
  - (3) REVIEW REQUIRED. The department shall do all of the following:
- (a) Periodically review the requirements in rules promulgated under sub. (1) and update the rules as necessary.
- (b) Review existing and proposed international, federal, and state greenhouse gas emission reporting programs and make reasonable efforts to promote consistency among the program established under this section and other programs and to streamline reporting requirements on greenhouse gas emission sources.
- **286.09** Statewide greenhouse gas emission limit. (1) No later than January 1, 2009, the department shall do all of the following:

- SECTION 5
- (a) Conduct one or more meetings, with public notice and an opportunity for all interested persons to comment, to assist it in determining what the level of statewide greenhouse gas emissions was in 1990.
- (b) To ensure the most accurate determination feasible under par. (c), evaluate the best available scientific, technological, and economic information on greenhouse gas emissions.
- (c) At a public meeting determine, based on the information obtained under pars. (a) and (b), what the level of statewide greenhouse gas emissions was in 1990 and approve an emission limit to be achieved by 2020 that is equivalent to that level.
- (2) (a) If the department authorizes the use of carbon sequestration projects under this chapter, the department shall treat carbon removed from the atmosphere through an authorized carbon sequestration project as an equivalent reduction in greenhouse gas emissions in determining compliance with the statewide emission limit.
- (b) If the department authorizes the use of a market-based compliance mechanism under this chapter that results in a reduction in greenhouse gas emissions outside this state, the department shall treat a reduction in greenhouse gas emissions outside this state resulting from the authorized market-based compliance mechanism as though the reduction occurred in this state in determining compliance with the statewide emission limit.
- (3) The statewide emission limit approved under sub. (1) (c) remains in effect after 2020.
- (4) The department shall make recommendations to the legislature, under s. 13.172 (2), and to the governor on how to continue reductions in greenhouse gas emissions beyond 2020.

286.15 Greenhouse gas emissions; early action measures. (1) On or before June 30, 2008, the department shall publish and make available to the public a list of emission reduction measures that can be implemented before the measures and limits adopted under s. 286.23. The department shall identify emission reduction measures that will achieve the maximum reduction in greenhouse gas emissions from significant sources or categories of significant sources that is technologically feasible and cost-effective, in furtherance of achieving the statewide emission limit.

- (2) The department shall promulgate rules, to take effect no later than January 1, 2011, to implement the measures identified under sub. (1).
- 286.20 Greenhouse gas emission reduction plan. (1) Plan. The department shall prepare and, no later than January 1, 2010, approve a plan for achieving the maximum reduction in greenhouse gas emissions from significant sources or categories of significant sources by 2020 that is technologically feasible and cost-effective. In preparing the plan, the department shall consult with all state agencies with jurisdiction over greenhouse gas emission sources. The department shall consult with the public service commission on the elements of the plan that pertain to energy-related matters, including the generation of electricity, any standards or requirements that are based on the amount of electricity that an electric provider sells to retail customers or members, the provision of reliable and affordable electrical service, petroleum refining, and statewide fuel supplies to ensure that the greenhouse gas emission reduction activities in the plan are complementary and not duplicative and can be implemented in an efficient and cost-effective manner.
- (2) CONTENTS. In the plan, the department shall identify and make recommendations concerning any direct emission reduction actions, alternative

 $\mathbf{2}$ 

- compliance mechanisms, market-based compliance mechanisms, and monetary and nonmonetary incentives for significant sources and categories of significant sources that the department determines are necessary or desirable to facilitate achievement by 2020 of the maximum reduction in greenhouse gas emissions that is technologically feasible and cost-effective.
- (3) PREPARATION. In preparing the plan under this section, the department shall do all of the following:
- (a) Consider relevant information relating to greenhouse gas emission reduction programs of local governmental units, other states, and other countries, including the northeastern states, Canada, and the European Union.
- (b) Evaluate the total potential costs and economic and noneconomic benefits of the plan to this state's economy, environment, and public health, using the best available economic models, techniques for estimating greenhouse gas emissions, and other scientific methods.
- (c) Take into account the relative contribution of each greenhouse gas emission source or category of greenhouse gas emission sources to statewide greenhouse gas emissions and the potential for adverse effects on small businesses and recommend a threshold of greenhouse gas emissions below which requirements for reductions in greenhouse gas emissions will not apply.
- (d) Identify opportunities for emission reduction measures from voluntary actions that can be verified and made enforceable, including carbon sequestration projects and best management practices.
- (4) Public Meetings. The department shall conduct a series of public meetings to give interested persons an opportunity to comment on the plan under this section. The board shall conduct some of the public meetings in areas of the state that have

- the most significant exposure to air pollutants, including communities with minority populations and communities with low-income populations.
  - (5) UPDATES. The department shall update the plan under this section at least once every 5 years.
- 286.23 Emission limits and reduction measures. (1) Rules. The department shall promulgate rules, to take effect no later than January 1, 2013, containing greenhouse gas emission limits and emission reduction measures to achieve the maximum reduction in greenhouse gas emissions that is technologically feasible and cost-effective, in furtherance of achieving the statewide emission limit.
- (2) REQUIREMENTS CONCERNING RULE PROMULGATION. In promulgating rules under this section, the department shall to the extent feasible do all of the following:
- (a) Design the rules, including any distribution of allowances, in a manner that is equitable, seeks to minimize costs and maximize total benefits in this state, and encourages early action to reduce greenhouse gas emissions.
- (b) Ensure that activities undertaken to comply with the rules will not have a disproportionate impact on communities with low-income populations.
- (c) Ensure that entities that have voluntarily reduced their greenhouse gas emissions before the rules take effect receive appropriate credit for those reductions.
- (d) Ensure that activities undertaken to comply with the rules complement, and do not interfere with, efforts under ch. 285 to achieve and maintain compliance with ambient air quality standards and to reduce emissions of hazardous air contaminants.
- (e) Ensure that the rules result in reductions of greenhouse gas emissions that are permanent, quantifiable, verifiable, and enforceable.

- (f) Ensure that any provision authorizing use of an alternative compliance mechanism results in a reduction of greenhouse gas emissions that occurs over the same period and in the same amount as any specific action that would otherwise be required under this section.
  - (g) Consider the cost-effectiveness of the rules.
- (h) Consider overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, the environment, and public health.
- (i) Minimize the administrative burden of implementing and complying with the rules.
- (j) Minimize the extent to which reductions in emissions of greenhouse gases within this state are offset by increases in emissions of greenhouse gases outside the state.
- (k) Consider the significance of the contribution of each greenhouse gas emission source or category of greenhouse gas emission sources to statewide emissions of greenhouse gases.
  - (L) Rely upon the best available economic and scientific information.
- (m) Rely upon the department's assessment of existing and projected technological capabilities.
- (n) Consult with the public service commission concerning the rules that affect providers of electricity and natural gas in order to minimize duplicative or inconsistent regulatory requirements.
- (3) Market-based compliance mechanisms. (a) Subject to pars. (b) to (d) and sub. (2), in the rules promulgated under this section, the department may authorize the use of market-based compliance mechanisms.

 $\mathbf{2}$ 

- (b) Before including market-based compliance mechanisms in the rules promulgated under this section, the department shall to the extent feasible do all of the following:
- 1. Consider the potential for direct, indirect, and cumulative impacts on emissions from using market-based compliance mechanisms, including localized impacts in communities already adversely affected by air pollution.
- 2. Design the market-based compliance mechanisms to prevent any increase in emissions of hazardous air contaminants or pollutants for which ambient air quality standards have been established under s. 285.21.
- 3. Maximize additional environmental benefits and economic benefits in this state, as the department determines is appropriate.
- (c) If the department provides for the use of market-based compliance mechanisms in the rules promulgated under this section, the department shall specify in the rules how the market-based compliance mechanisms may be used by entities subject to greenhouse gas emission limits and mandatory emission reporting requirements to achieve compliance with their greenhouse gas emission limits.
- (d) In furtherance of achieving the statewide emission limit, the department may promulgate a rule that establishes a system of market-based declining annual aggregate greenhouse gas emission limits for significant sources or categories of significant sources, applicable from January 1, 2013, to December 31, 2020, that the department determines will achieve the maximum reduction in greenhouse gas emissions that is technologically feasible and cost-effective, in the aggregate, from those significant sources or categories of significant sources, but only if the department complies with pars. (b) and (c) and ensures that the reduction is in

addition to any greenhouse gas emission reduction otherwise required by law and any greenhouse gas emission reduction that would otherwise occur.

- **286.25 Voluntary reductions.** (1) The department shall adopt methodologies for the quantification of greenhouse gas emission reductions from voluntary actions. Notwithstanding s. 227.10 (1), the department is not required to adopt the methodologies by rule.
- (2) The department shall promulgate rules for verifying and enforcing greenhouse gas emission reductions from voluntary actions that the department authorizes to be used to comply with greenhouse gas emission limits.
- **286.27 Authority of the governor. (1)** Notwithstanding the dates specified in ss. 286.09 (1) (intro.) and (3), 286.15 (1), 286.20 (1), and 286.23 (1) in the event of extraordinary circumstances, catastrophic events, or threat of significant economic harm, the governor may adjust a deadline in s. 286.09 (1), 286.15 (1), 286.20 (1), or 286.23 (1), or in a rule promulgated under this chapter, to the earliest feasible date after the deadline, subject to sub. (2).
- (2) The governor may not adjust a deadline by more than one year at a time, but the governor may make successive adjustments of the same deadline as long as the adjustments comply with sub. (1).
- (3) No more than 10 days after making an adjustment under sub. (1), the governor shall provide written notification of the adjustment to the chief clerk of each house of the legislature and to the revisor of statutes for publication in the Wisconsin administrative register.
- **286.31 Councils.** (1) The greenhouse gas management environmental justice council shall advise the department in developing the plan under s. 286.20 and in any other matter in the implementation of this chapter.

 $\mathbf{2}$ 

- (2) The greenhouse gas management economic and technology advancement council shall advise the department on activities that will facilitate investment in and implementation of technological research and development opportunities, including identifying new technologies; research; demonstration projects; funding opportunities; developing state, national, and international partnerships and technology transfer opportunities; and identifying and assessing research and advanced technology investment and incentive opportunities that will assist in the reduction of greenhouse gas emissions. The council may also advise the department on state, regional, national, and international economic and technological developments related to greenhouse gas emission reductions.
- **286.35** Fees. (1) The department may promulgate rules establishing a schedule of fees for greenhouse gas emission sources regulated under this chapter. The department shall design the fee schedule to ensure that the amount of the fees is not more than is reasonably necessary to fund the operation of the program under this chapter.
- (2) Any fees collected under sub. (1) shall be credited to the appropriation account under s. 20.370 (2) (cj).
- **286.37 Other duties of the department.** (1) The department shall determine the carbon dioxide equivalents of greenhouse gases based on the best available scientific information, including information from the Intergovernmental Panel on Climate Change.
- (2) The department shall consult with other states, the federal government, and other countries to identify the most effective strategies and methods to reduce greenhouse gas emissions, manage greenhouse gas control programs, and facilitate

 $\mathbf{2}$ 

the development of integrated and cost-effective regional, national, and international greenhouse gas emission reduction programs.

- (3) The department shall ensure, to the extent feasible, that the rules, programs, mechanisms, and incentives under its jurisdiction for the reduction of greenhouse gas emissions direct public and private investment toward communities with the most disadvantaged populations. The department shall provide the opportunity for small businesses, schools, organizations that provide affordable housing, and other community institutions to participate in and benefit from statewide efforts to reduce greenhouse gas emissions.
- **286.39 Duty of other state agencies.** Each state agency, as defined in s. 20.001 (1), and the University of Wisconsin Hospitals and Clinics Authority, the Wisconsin Housing and Economic Development Authority, and the Wisconsin Health and Educational Facilities Authority shall take actions to reduce their greenhouse gas emissions.
- **286.50 Penalties.** (1) Any person who violates this chapter or any rule promulgated, permit issued, or order issued under this chapter shall forfeit not less than \$10 or more than \$25,000 for each violation. Each day of continued violation is a separate offense.
- (2) (a) Except as provided in par. (b), any person who intentionally commits an act that violates, or fails to perform an act required by, this chapter or any rule promulgated, permit issued, or order issued under this chapter shall be fined not more than \$25,000 per day of violation or imprisoned for not more than 6 months or both.
- (b) If the conviction under par. (a) is for a violation committed after another conviction under par. (a), the person is guilty of a Class I felony, except that,

1

 $\mathbf{2}$ 

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

notwithstanding the maximum fine specified in s. 939.50 (3) (i), the person may be fined not more than \$50,000 per day of violation.

**Section 6.** 299.95 of the statutes is amended to read:

299.95 Enforcement; duty of department of justice; expenses. The attorney general shall enforce chs. 281 to 285 286 and 289 to 295 and this chapter, except ss. 285.57, 285.59, and 299.64, and all rules, special orders, licenses, plan approvals, permits, and water quality certifications of the department, except those promulgated or issued under ss. 285.57, 285.59, and 299.64 and except as provided in ss. 285.86 and 299.85 (7) (am). The circuit court for Dane county or for any other county where a violation occurred in whole or in part has jurisdiction to enforce chs. 281 to 285 286 and 289 to 295 or this chapter or the rule, special order, license, plan approval, permit, or certification by injunctional and other relief appropriate for enforcement. For purposes of this proceeding where chs. 281 to 285 286 and 289 to 295 or this chapter or the rule, special order, license, plan approval, permit or certification prohibits in whole or in part any pollution, a violation is considered a public nuisance. The department of natural resources may enter into agreements with the department of justice to assist with the administration of chs. 281 to 285 286 and 289 to 295 and this chapter. Any funds paid to the department of justice under these agreements shall be credited to the appropriation account under s. 20.455 (1) (k).

## **SECTION 7. Nonstatutory provisions.**

(1) Submission of proposed rules. The department of natural resources shall submit in proposed form the rules required under section 286.05 (1) of the statutes,

- SECTION 7
- as created by this act, to the legislative council staff under section  $227.15\,(1)$  of the
- 2 statutes no later than June 30, 2008.
- 3 (END)