

**TO:** Members, Governor's Task Force on Global Warming  
Governor James Doyle  
Wisconsin State Legislators

**FROM:** Aggregate Producers of Wisconsin  
Associated Builders & Contractors of Wisconsin, Inc.  
Associated General Contractors of Wisconsin  
Independent Business Association of Wisconsin  
Metropolitan Builders Association  
Metropolitan Milwaukee Association of Commerce  
Midwest Food Processors Association  
National Federation of Independent Businesses – Wisconsin Chapter  
Wisconsin Automobile & Truck Dealers Association  
Wisconsin Builders Association  
Wisconsin Cast Metals Association  
Wisconsin Economic Development Association  
Wisconsin Engine Manufacturers & Distributors Alliance  
Wisconsin Independent Businesses  
Wisconsin Industrial Energy Group  
Wisconsin Manufacturers & Commerce  
Wisconsin Motor Carriers Association  
Wisconsin Paper Council  
Wisconsin Petroleum Council  
Wisconsin Petroleum Marketers & Convenience Store Association  
Wisconsin Retail Council  
Wisconsin Transportation Builders Association  
Wisconsin Utility Investors, Inc.

**DATE:** December 3, 2009

**RE:** Global Warming Task Force Legislation

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We understand that the Governor's Global Warming Task Force (Task Force) will reconvene on December 15, 2009, to discuss draft legislation intended to implement the recommendations of the Task Force. These recommendations are set forth in the July 2008 Final Report to Governor Doyle (Final Report).

For reasons outlined below, we respectfully ask that you consider advising the chief legislative authors that you have serious reservations over the costs and related implications of various implementation proposals, as well as the notion that all Task Force recommendations be packaged *en masse* into a single bill. We do not believe you intended each policy recommendation contained in the Final Report to be rolled into one, omnibus bill. Nor do we believe that you were presented with adequate cost information on these sweeping initiatives prior to your vote on the Final Report last year.

As noted in Roy Thilly's (Task Force's Co-Chair) Nov. 6, 2009, letter to you regarding the December 15 meeting, he and Co-Chair Tia Nelson have for the past nine months been working on this omnibus climate bill with the chairs of the Assembly and Senate utilities (Sen. Plale, Rep. Soletski) and environmental (Sen. Miller, Rep. Black) committees, along with various officials from Governor Doyle's Administration. While not yet public, we understand that to date there are twenty draft bills/policies encompassing close to 200 pages that have been endorsed by this drafting committee for inclusion into the omnibus bill.

Also as noted by Mr. Thilly, the goal is to incorporate all of your recommendations into this legislation, *except* those items having a fiscal impact on the state. Apparently, the drafting committee has concerns over public finances, "given the financial challenges the state faces." We suggest before you endorse this sweeping legislation that you also consider the financial challenges facing Wisconsin consumers and our member businesses. For example, the lost jobs, higher energy costs and reduced family income resulting from this legislation should be of equal or greater concern. We ask that you consider the appropriateness of holding state government harmless from the financial impact of these proposals, while forcing Wisconsin taxpayers, consumers and electric ratepayers to fully absorb the considerable cost of the policies.

You may have seen the recent report by the Wisconsin Policy Research Institute (WPRI) titled *The Economics of Climate Change Proposals in Wisconsin*.<sup>1</sup> This analysis, done by trained economists from Suffolk University, is noteworthy in that it is the first comprehensive attempt to assess costs associated with some of the Task Force recommendations. Some highlights include:

- The policies (excluding cap and trade) would cause the state to shed 43,093 private-sector jobs. Annual wages would drop \$1.6 billion, with disposable income falling by \$1,012 per capita.
- The paper manufacturing industry would shed an additional 3,496 jobs and investment would drop by \$1.8 million in 2020 if the 12 Task Force policies, excluding cap-and-trade, were implemented.
- The total net costs of the 25 percent renewable mandate would exceed \$16 billion through 2025.
- Mandating California emission standards would increase the cost of each new car sold in Wisconsin by \$968, for an annual economic hit of \$353 million to Wisconsin consumers.
- The proposed Low Carbon Fuel Standard would increase costs to Wisconsin motorists by an additional \$3.279 billion by 2020.

While the ultimate costs of the omnibus bill may be debatable, we are quite certain that this bill, already mischaracterized by its proponents as the *Clean Energy Jobs Act*, will be an enormous drag on our economy that will cost jobs. Certainly it will impede our recovery by imposing higher energy costs for everyone in Wisconsin.

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<sup>1</sup> <http://www.wpri.org/Reports/Volume22/Vol22No7/Vol22No7.html>

As you most certainly know, substantial excess manufacturing capacity has resulted from the severe recession. When jobs come back, they will do so unevenly, benefiting first (and possibly only) those facilities and states with *competitive cost structures*. Wisconsin was once very competitive in the Midwest region in the crucial area of energy costs. That advantage has been substantially eroded by escalating rate hikes. We cannot afford to make electricity more expensive if we want to remain competitive. We ask that you please give considerable thought to the likely economic and energy consequences of this legislation before you decide whether to endorse it.

We trust the Task Force Co-chairs will provide actual copies of the legislation on which they expect your “strong support.” The following points are merely an illustration of the far-reaching scope of this initiative based on our best understanding of the various discrete policies approved by the drafting committee. While we recognize that individual provisions may change prior to introduction, we hope these concerns are relevant to your further deliberations.

- **Goals and Related Regulatory Mandates.** The draft goals include aggressive and unattainable targets for the reduction of greenhouse gases, and the failure to meet those targets triggers additional mandates and DNR rulemaking authorities, some of which were not contemplated by the Task Force but also include more dubious objectives. For example, the draft legislation directs DNR to adopt California standards for cars and light-duty trucks. But the most recent draft includes an on-ramp to California standards for zero emission vehicles, as well as for off-road vehicles used in agriculture and construction industries, if emission reduction targets are not met.
- **Deferring to Non-Elected, California Bureaucrats.** By requiring DNR to adopt California vehicle emission standards, Wisconsin would cede to California bureaucrats the authority to ban cars and trucks that we’ve come to rely upon for work and recreation. The Task Force noted its goal for a national standard; that goal was met when the Obama Administration advanced a set of new regulations – known as the “National Program” – to reduce carbon emissions and increase fuel economy.
- **Low Carbon Fuel Standard (LCFS).** Another California idea that makes little sense for Wisconsin is adopting a California-type LCFS aimed at restricting our use of Canadian oil. Unlike California, Wisconsin relies on Canadian crude oil to produce the majority of our transportation fuel. By raising costs an estimated \$3.3 billion for motorists, a LCFS will hit Wisconsin consumers at a time when we can least afford it.
- **Policies not Contained in the Task Force Final Report.** The Final Report includes broad policy recommendations, but in many cases the proposed legislation goes beyond what was recommended by the Task Force. For example, the draft proposed legislation for commercial and residential building codes give the Department of Commerce the authority to require design standards that exceed uniform codes adopted by other states. This language, which will likely threaten the affordability of housing, did not appear in the Final Report.
- **Mandating a Building Energy Code be Adopted Without Consideration of Cost Impacts.** Wisconsin should not automatically adopt an international energy code without consideration of costs. This abrogates the responsibility of the State to adopt an energy code that is in the best interest of its citizens, and ignores housing affordability.
- **State-Only Renewable Mandates.** Several items in the draft bill add significant costs to already overburdened electric ratepayers, including a state-only 25% renewable energy mandate. The study by WPRI estimates the net cost of the 25% RPS proposal would be over \$16 billion. This is an unprecedented level of capital expenditure for electric generation, and the substantial impact on rates must be considered.

- **Advanced Renewable Tariff.** This policy would force utilities to acquire the most expensive renewable energy sources, and to do so at levels above and beyond their RPS requirements. In addition to being inconsistent with the Final Report, the policy of forcing utilities to purchase renewable energy without regard to cost (or less expensive alternatives) is not in the best interest of consumers.
- **New Energy Bill Fees.** The legislation may triple the amount of fees customers are forced to pay on monthly energy bills at a time when they can least afford it. Equally troublesome is the Legislature's history of raiding these funds to backfill state budget shortfalls.
- **Freight Idle Reduction.** This policy would generally prohibit the operator of a semi truck from allowing the engine of the vehicle to idle for more than five minutes in any 60-minute period. The proposed language has a number of major problems that would be needlessly burdensome. Instead, we strongly encourage shifting to the consensus proposal developed by the Diesel Emissions Reduction Coalition facilitated by DNR staff.
- **Carbon-Audited Transportation Projects.** DOT would have to prepare an environmental assessment or environmental impact statement that includes an analysis of the project's greenhouse gas emissions and energy use over the life cycle of the project, and alternatives. This would invariably increase cost and open the door to litigation delays.

During this severe economic downturn, Wisconsin can ill-afford to lose more jobs to other countries and more business-friendly states. In order to turn around the state's lagging economy and promote Wisconsin as a pro-growth state, we implore the Task Force to reject the confiscatory measures contained in this bill that ultimately will drive up energy costs and do nothing to reduce global warming.

At a minimum, before you decide whether to endorse this legislation, we urge you to consider the impacts to the affected business sectors, many of which are not represented on the Task Force. Given the substantial economic and energy costs of these proposals, and the absence of any quantifiable benefits to global temperature, we respectfully urge you to decline the invitation to endorse the legislation.

Thank you very much for your consideration.