

## Advisory Group Makes Recommendations for Midwestern Cap-And-Trade Program

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On May 7, 2010, the Advisory Group of the [Midwestern Greenhouse Gas Reduction Accord](#) issued [its final recommendations](#) for the establishment of targets for emissions reductions in the region and for the design of a regional cap-and-trade program. Here are some of the highlights:

(1) Greenhouse Gas Emission Reduction Target: In general, the Advisory Group recommended a target of 20% below 2005 levels by 2020 and an 80% reduction below 2005 levels by 2050.

(2) Types of Sectors Covered: Electricity generation and imports to the region, industrial combustion sources, industrial process sources provided that credible measurement and monitoring protocols exist or can be developed, fuels serving residential, commercial, and industrial buildings not otherwise covered, and transportation fuels.

(3) Greenhouse Gases Covered: Carbon dioxide, methane, nitrous oxide, hydro-fluorocarbons, perfluorocarbons, and sulfur hexafluoride.

(4) Threshold for Coverage: Entities with annual emissions of 25,000 metric tons or more shall be subject to the program, provided that electric generating units with a capacity of less than 25 megawatts should be exempt and combustion units that burn 100% biomass should be exempt for carbon dioxide emissions only. Annual emissions shall be calculated using a three-year rolling average.

(5) Auctions and Allowances: The Advisory Group recommends a hybrid approach to allowance distribution. It should combine auctions to provide a robust allowance market with price discovery and sufficient liquidity, as well as funding for needed programs, together with allocations to covered entities at modest fixed fees to limit allowance cost and volatility risks and also to provide additional funding for climate-related purposes. This hybrid approach should apply during the first three compliance periods, after which a transition to full auction of allowances should take place within the following three compliance periods.

(6) Offsets: The Advisory Group recommends that participating jurisdictions develop an offset component as part of the cap-and-trade program.

(7) Mandatory Emissions Reporting: Mandatory reporting of emissions for the six families of greenhouse gases included under the cap will commence one year before the program start date, with data collection beginning two years before the start date.

(8) Starting Date: The first compliance period for the cap-and-trade program will start at the beginning of the first calendar year at least 12 months subsequent to execution of an implementation Memorandum of Understanding among participating jurisdictions.

Click [here](#) to see the Advisory Group's Final Model Rule that accompanied the recommendations.

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