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Midwest States Show Leadership in Addressing Climate Change

Twenty-three states, accounting for over half of the U.S. population and economy, are now members of regional cap-and-trade-based initiatives

As Congress debates national climate and energy legislation, governors of nine Midwestern states—Democrats and Republicans—have come together to sign a regional accord that will aggressively move the Midwest to decrease its greenhouse gas emissions, reduce its reliance on foreign fossil fuels, and simultaneously create economic growth.

With the Midwestern Greenhouse Gas Accord and platform, the governors of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Ohio, South Dakota, and Wisconsin join their gubernatorial peers in 19 states and over 700 U.S. mayors in taking action to combat the dual threats of global climate change and energy security.

"America can no longer rely on business-as-usual to meet its energy needs, and the nation's governors are prepared to lead the way in crafting a sensible, sustainable clean energy future."

— GOVERNOR TIM PAWLENTY (R), MINNESOTA

These leaders are sending a clear message, as stated in the words of Governor Jim Doyle (D) of Wisconsin, that "in the absence of a federal plan, we have to move forward." Governor Tim Pawlenty (R) of Minnesota echoed his hopes that action by states would spur Congress to act soon: "In the not-too distant future, we want to see national improvement and we hope the states can lead the way." The accord itself criticizes the federal government for not crafting a comprehensive response to climate change and notes that, "the effects of climate change present growing economic, social and environmental risk in the Midwest and the world…we must begin to take action now."

"Our strong manufacturing base and rich agricultural industries, along with the wealth of resources in our vast northern forests and our world-leading research universities, position the Midwest to become the Saudi Arabia of renewable energy. If Midwest farm fields are competing with Middle East oil fields, then we are doing something right."

— GOVERNOR JIM DOYLE (D), WISCONSIN

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The Midwest Accord is ambitious in its timelines and stringent in its policy design, demonstrating a great deal of economic and political foresight. As a region, the U.S. Midwest:

- Relies heavily on coal for electricity generation, with 60% of its electricity generated from coal;
- Would be the 7th largest emitter worldwide if it were an independent country;
- Has diverse, but greenhouse gas-intensive industries;
- Is a major producer of agricultural products for the nation and the world; and
- Has been significantly affected by job loss and slow economic growth in recent years.

Notwithstanding these challenges, the Midwest Governors have set the bar high—confronting these issues head-on, recognizing that doing so is, as Governor Granholm (D) of Michigan said, "a huge opportunity in job creation." Governor Pawlenty urges immediate action which will "help lead the energy revolution that our nation needs to stay competitive and strong."

THE MIDWEST GREENHOUSE GAS ACCORD BY THE NUMBERS

Among the provisions in the new Accord is the development of a regional multi-sector cap-and-trade system. A cap-and-trade mechanism sets limits on the total amount of greenhouse gases (GHGs) that can be emitted by certain sources and permits those entities under "the cap" to trade pollution credits (called "allowances") with each other. Trading emissions in a well-designed market system creates incentives for entities to arrive at a least-cost solution for reducing their emissions.

Two other existing regional initiatives also employ a cap-and-trade system: the Regional Greenhouse Gas Initiative (RGGI) and the Western Climate Initiative (WCI). In addition, a cap-and-trade system forms the cornerstone of several climate bills currently under consideration by the U.S. Congress. However, the consortium of Midwestern states that are fully participating in the multi-sector cap-and-trade component of the Accord—Illinois, Iowa, Kansas, Michigan, Minnesota, and Wisconsin (Indiana, Ohio, and South Dakota are observers)—is notable, as the total GHG emissions of this group of states is the largest of the three regional cap-and-trade initiatives, accounting for 14 percent of total U.S. GHG emissions.

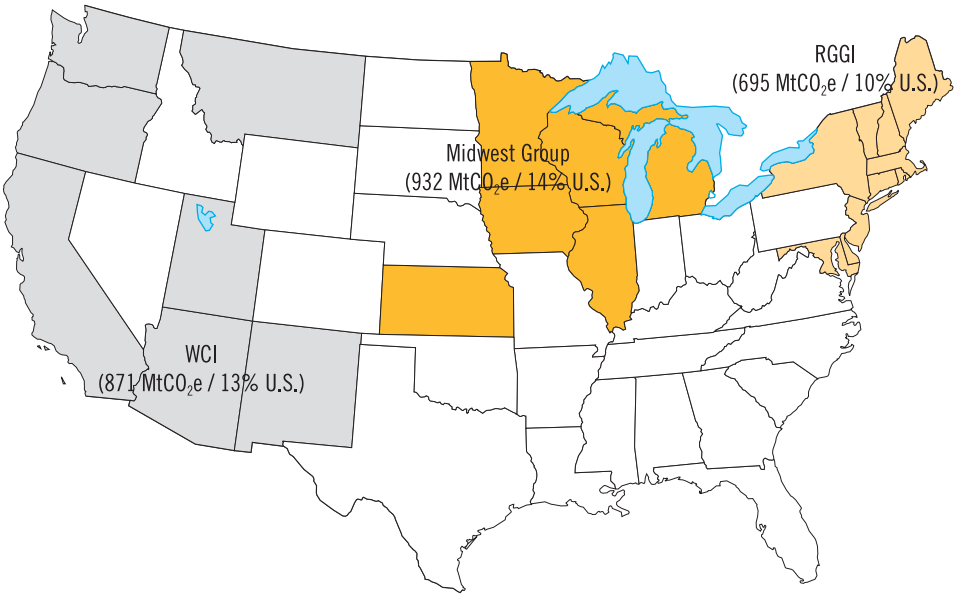
A cap-and-trade system most effectively addresses climate change when supplemented by other complementary policies. As such, additional policies laid out in the Accord focus on the deployment of carbon capture and sequestration, renewable power generation, biofuels, and energy efficiency. Regional cooperation will bring the development of these climate change mitigation strategies to scale in a more timely and economical way.

The World Resources Institute (WRI) has recently assessed the GHG emission profiles of eight Midwestern States (five of which signed the Accord) and has worked with these states and others to develop the Climate Registry. For more information on WRI's work in these areas please contact John Larsen at jlarsen@wri.org or (202) 729-7661.

"The Midwest can be either a big winner or a big loser in the energy and climate debate. To win we need strong regional innovation and collaboration, backed by strong and perhaps unprecedented federal actions and investment, to advance accelerated deployment of lucrative energy and climate technologies. Working to reduce global warming can both put people to work and protect our environment."

— GOVERNOR JENNIFER GRANHOLM (D), MICHIGAN

TOTAL EMISSIONS AND PERCENT OF TOTAL U.S. EMISSIONS OF REGIONAL CAP-AND-TRADE INITIATIVES



Source: World Resources Institute, 2007, using data from the Climate Analysis Indicators Tool (CAIT US) version 2.0. (Washington, DC: World Resources Institute, 2007). Available at http://cait.wri.org.
Notes: GHG emission totals from Canadian Provinces participating in the Midwest Accord and WCI are not included here. $MtCO_2e$ is million metric tons of carbon dioxide equivalent per year. Percentages are of total U.S. emissions.