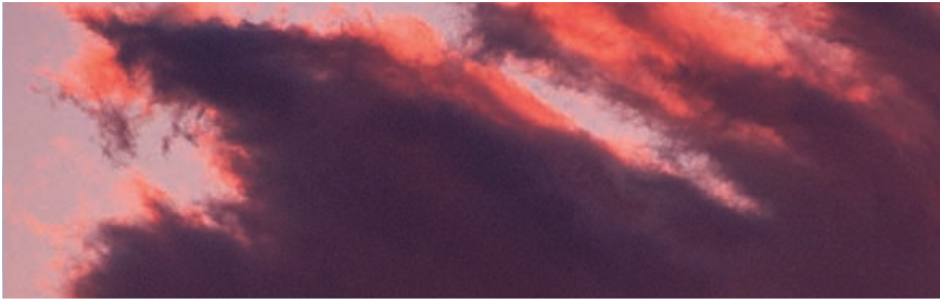




M I D W E S T E R N  
G R E E N H O U S E  
G A S A C C O R D

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MIDWESTERN ENERGY  
SECURITY & CLIMATE  
STEWARDSHIP SUMMIT



**MGA**  
Midwestern Governors Association

# MIDWESTERN GREENHOUSE GAS REDUCTION ACCORD

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WHEREAS, the effects of climate change present growing economic, social and environmental risks in the Midwest and the world; and

WHEREAS, we know enough to act on climate change, and there is sufficient scientific certainty that we must begin to take action now; and

WHEREAS, government has the obligation to establish a policy framework for reducing emissions of the six recognized greenhouse gases (GHG) while maintaining reliability and enhancing the cost-competitiveness of the Midwest's energy supply; and

WHEREAS, regional cooperation will help the Midwest respond to and prosper in a carbon-constrained world and maximize the region's comparative energy advantages, including:

1. national leadership by individual Midwestern states and provinces in the delivery of effective energy efficiency programs; and
2. world-class renewable energy resources that support rapidly growing wind energy, corn ethanol and biodiesel industries, as well as the potential for robust cellulosic biomass and solar industries; and
3. extensive and secure coal reserves, combined with extensive geologic reservoirs for storing carbon dioxide (CO<sub>2</sub>); and
4. pioneering experience with the capture of CO<sub>2</sub> for use in enhanced oil and gas recovery (EOR) to extend production from the region's oil and gas fields, including the world's largest CO<sub>2</sub> storage project that presently captures 3 million tons of CO<sub>2</sub> annually from coal in North Dakota and transports it by pipeline to Saskatchewan for EOR; and
5. national leadership by the Midwest's agricultural and forestry communities to implement both methane mitigation and terrestrial carbon sequestration programs and practices; and

WHEREAS, addressing climate change will create new economic opportunities and produce economic growth and jobs by maximizing the region's low-carbon energy production and by providing opportunities for the Midwest's manufacturing and service sectors to supply low-carbon technologies and know-how to the region and the world; and

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WHEREAS, meeting governments' obligations on climate change will require a range of strategies, including incentives, flexible market-based approaches and legal requirements; and

WHEREAS, a multi-jurisdictional GHG registry (The Climate Registry) is under development and is expected to be operational in early 2008 and will be available for entities participating in this program; and

WHEREAS, the Chicago Climate Exchange, sulfur dioxide trading markets and other established market-based systems in the U.S.; the Montreal Protocol for protecting the ozone layer; and the European Union's Emission Trading Scheme for GHG emissions allowances all provide working examples of emissions reduction mechanisms; and

WHEREAS, the Midwest can draw on the most effective aspects of other jurisdictions' experiences in crafting a coordinated, regional approach to the climate challenge that takes advantage of the Midwest's strengths and is environmentally effective, fair and cost efficient; and

WHEREAS, the U.S. federal government has not met the challenge to date of crafting a comprehensive national response to climate change, while governors representing U.S. states and national governments around the world have made commitments to reduce GHG emissions; and

WHEREAS, some Midwestern governments have established significant CO<sub>2</sub> reduction targets, either by executive order or statute, and formed climate task forces to advise on policies and strategies for meeting such targets; and

WHEREAS, we recognize the benefits of regional collaboration in developing climate change policies and approaches to GHG reductions that provide for consistency across jurisdictions;

NOW, THEREFORE, BE IT:

RESOLVED, that we, the undersigned, jointly enter into this accord to establish a Midwestern Greenhouse Gas Reduction Program (hereafter Program) to reduce GHG emissions in our states, and we jointly endeavor to:

1. establish GHG reduction targets and timeframes consistent with MGA member states' in provincial targets; and
2. develop a market-based and multi-sector cap-and-trade mechanism to help achieve GHG reduction targets; and
3. join The Climate Registry to enable tracking, management and crediting for entities that reduce GHG emissions; and

4. develop and implement other associated mechanisms and policies as needed to achieve the GHG reduction targets, such as a low-carbon fuel standard and regional incentives and funding mechanisms; and be it

RESOLVED, that the above described cap-and-trade system be developed to:

1. enable linkage to other jurisdictions' systems to create economies of scale, increase market efficiencies, diversity and liquidity, while reducing costs; and
2. maximize economic and employment benefits, while minimizing any transitional job losses; and
3. reduce the shifting of generation and emissions to non-participating states; and
4. credit past and present actions to reduce GHG emissions; and
5. address potential interaction or integration with a future federal program; and be it

RESOLVED, MGA member and other states, Canadian provinces, tribal governments and First Nations, and other jurisdictions may participate in the program, or they may choose to observe; and be it

RESOLVED, that we agree to establish a Work Group structure and process, through the Midwestern Governors Association, involving representatives of public, private and nongovernmental institutions to make recommendations to governors and other participating jurisdictional leaders regarding implementation; and be it

RESOLVED, that we shall:

1. direct our staff and appropriate state agency representatives to develop a work plan and establish a work group to move forward with the Program, within two months of the effective date of this accord; and
2. establish targets for GHG emission reductions and timeframes consistent with states' targets, and adopt policies, implementation mechanisms and any work products deemed necessary, within eight months of the effective date of this accord; and
3. complete development of proposed cap-and-trade agreement and a model rule, within 12 months of the effective date of this accord; and
4. complete the undertakings set forth herein, within 30 months of the effective date of this accord.

DONE, this 15th day of November, 2007, in Milwaukee, Wisconsin.