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DRAFT MEETING SUMMARY (ENERGY SUPPLY PORTION ONLY)

NORTH CAROLINA CLIMATE ACTION PLANNING ADVISORY GROUP (CAPAG)

US Environmental Protection Agency (EPA) Facility (Room C111) at

109 T.W. Alexander Drive, Research Triangle Park, NC 27711

Meeting #5 – January 24, 2007

- a. **Energy Supply Sector** – Bill Dougherty reviewed the initial results of the quantification of the straw proposals for mitigation options for the Energy Supply (ES) sector. Discussion focused on the GHG inventory and forecast, which had been revised since the last CAPAG meeting. The ES inventory and forecast (I&F) development process was reviewed, (I&F results, focusing on the 2003-2020 period are available on slide #22 of the PowerPoint presentation.. ,The revised I&F as of January 5 was finalized. Major changes include: (1) lowering of share of coal generation after 2010; (2) capacity factor of old units; (3) generation profile (i.e., backed down coal, brought in natural gas units) and thus emissions from power plants. He then reviewed the initial results of the quantification of the straw proposals for ES mitigation options.
 - i. ES-1 – Incentives for Centralized Renewable Energy Generation – it was decided that this option should return to the TWG for further analysis based discussions regarding long-term costs, benefits, and rate impacts. Bill requested that any cost information in possession of the CAPAG be sent for review.
 - ii. ES-2 – Environmental Performance Standard – it was decided that this option will return to the TWG for further analysis. Members asked for clarification generation displaced in 2020 by energy efficiency and renewables, as well as the mix of renewable energy sources. Discussion included the importance of considering long-term costs, benefits, and rate impacts. An RPS, which will be introduced in assembly this year, will look at a range of requirements. This has a large potential for GHG reduction and for cost savings. It was pointed out that a consensus is needed so that the policy could be useful. Another CAPAG member said that there is a near consensus and that the option has enormous potential, range of costs and benefits, and broad positive reaction. Bill asked if the analysis should continue to use the existing targets. It was suggested that a combined 20% energy efficiency and renewable energy standard should be considered.
 - iii. ES-3 and ES-9 – Combined Heat and Power – It was unanimously decided that this option could move forward.
 - iv. ES-4 – Cap and Trade – it was decided that this option needs further discussion. A CAPAG member indicated that it is premature to consider a cap and trade system at the

state level, that a national system will likely soon be in place, and there hasn't been enough time to review. Another CAPAG member indicated that his members have a fundamental concern with carbon cap and trade, both at the electric sector level and economy wide.

- v. ES-5 – Legislative Changes to Address Environmental & Other Factors – it was decided that this option needs to go back to TWG for further analysis. Another CAPAG member asked if this option could include expanded authority to the commission to allow financing incentives to encourage advanced technologies. Another CAPAG member described the National Action Plan for EE and suggested that the current title of the option is old and the new title should be used, as approved by the TWG.
- vi. ES-6 – Advanced Coal Technologies – it was decided that this option needs to go back to TWG for further analysis. A question was raised as to the relevance of this option since there are no new coal units planned prior to 2020. Bill explained that since the option is tied to the NC-specific context, the analysis will need to make assumptions about resources that would be displaced by advanced coal technology. A suggestion was made to just provide a comment that incentives for clean coal are appropriate. Bill responded that while the analysis could be kept flexible, it will be important to identify the reference case resource it would replace (i.e., new plant or existing plant). A CAPAG member indicated that it would be good to consider the analysis in this way before proceeding on a decision for this option. It was concluded that the analysis will consider replacement of new and existing units, as well as a scenario where one 800 MW unit is built.
- vii. ES-7 – Public Benefits Charge – it was decided that more discussion is needed on this option. A CAPAG member indicated that farmers shoulder more than their share of burden and shouldn't be asked to pay additionally. A member asked if this option and the RCI-2 option were different. Bill responded that the analysis included both CAPAG targets to ES and RCI options, where the RCI target was used as the default.
- viii. ES-8 – Waste to Energy Systems – it was decided that this option needs to go back to TWG for further analysis. A CAPAG member indicated that the analysis needs to be revised to consider 50% of new treatment or to modify the goal. Bill indicated that costs and performance assumptions are preliminary and still need to be vetted by the TWG.
- ix. ES-9 – Combined Heat and Power, included under ES-3 – It was decided that this option could move forward as part of ES-3.
- x. ES-10 – Strengthened NC GreenPower Program – it was decided that this option should return to the TWG for further analysis. A CAPAG member indicated that this option is similar to one of the RCI options. RCI numbers are needed in order to proceed with this option.