

Canada - United States
Inter-Parliamentary Group
Canadian Section



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Section canadienne

**Report of the Canadian Parliamentary Delegation
to the Western Governors' Association
2007 Annual Meeting**

Canada-United States Inter-Parliamentary Group

**Deadwood, South Dakota, United States of America
June 10 - 12, 2007**

Report

From 10-12 June 2007, members of the Canada-United States Inter-Parliamentary Group attended the 2007 Annual Meeting of the Western Governors' Association in Deadwood, South Dakota. This report summarizes the major points made at the meeting.

CARBON SEQUESTRATION: ECONOMICS AND POLICIES ENABLING SAFE, FAST DEPLOYMENT

Jonathan Schrag, Lenfest Center for Sustainable Energy

- carbon capture and sequestration (CCS) is critical; without it, there will be detrimental impacts on the climate
- demonstration at scale in multiple geologies is needed
- an economic analysis of CCS reveals a cost of \$25 per unit for capture and \$5 per unit for sequestration
- subsidies for CCS are needed in order to establish a level playing field, and incentives would lead to a significant increase in research and development

Gregory McRae, Massachusetts Institute of Technology

- global warming is real, action is needed and the United States must lead
- although carbon capture and sequestration (CCS) is technically feasible now, it must be possible at an appropriate scale; scale is a key issue, and experiments are needed where large amounts are captured and sequestered
- the cost of CCS is falling, and is expected to continue to do so as more research occurs, technology evolves and operational experience is gained
- public confidence that CCS can be done safely and for the long term must exist
- regulatory, liability, custody and monitoring issues must be resolved
- coal – which is only one of several options available to meet short-term energy needs – must be considered in the short term as such other energy sources as solar, wind, etc. are considered in the long term
- ethanol production involves trade-offs between food use and fuel; it also influences land use

John Harju, University of North Dakota and Plains CO₂ Reduction Partnership

- a number of small-scale carbon capture and sequestration (CCS) demonstration projects exist
- there are ownership and liability issues to be resolved
- the search for hydrocarbons is the search for sequestered oil and gas

TRANSITIONING TO A NEW ENERGY ECONOMY: FINANCING RENEWABLE ENERGY PROJECTS

John O'Donnell, Ausra Inc.

- financing is needed for large-scale deployment and to bring renewable energy to scale
- a particular challenge in respect of financing is the perceived technology risk
- financing options include:
 - loan guarantees
 - bonds
 - direct lending
- the dramatic need to reduce CO₂ emissions creates a great business opportunity
- the world is headed toward a climate crisis, and something must be done; the political will now exists to do something, since the public expects politicians to act
- regional transmission planning is important
- the cost of complying with the Clean Air Act was 1.5% of U.S. Gross Domestic Product and the return was 6%; carbon capture and sequestration (CCS) faces challenges that exceed those associated with the Clear Air Act
- in the absence of action by Western Governors, most new plants will be built in the East
- a nuclear renaissance is under way, particularly in the Southeastern region of the United States
- wind, solar and thermal power are interesting options, but they have challenges as well as benefits
- the Western states have the capacity to export renewable energy to other states

THE PRESENT AND FUTURE OF GREEN POWER MARKETING IN THE UNITED STATES

Blair Swezey, National Renewable Energy Laboratory

- with renewable energy certificates (RECs), green attributes from renewable energy are verified and tracked, and sold in the market
- RECs and the underlying electricity can be sold separately in the market
- RECs can be sold in compliance markets or in voluntary purchase markets
- there are several issues in respect of RECs:
 - ensuring adequate supply
 - tracking and verifying transactions
 - ensuring that double counting does not occur

Brian Rounds, South Dakota Public Utilities Commission

- the Midwest Renewable Energy Tracking System (M-RETS) can track:
 - green tags
 - green credits
 - renewable energy credits
 - renewable energy certificates
 - tradable renewable energy credits
 - tradable renewable energy certificates
- the M-RETS is needed because of:
 - the increasing debate about climate change
 - an increased demand for renewable energy
 - a willingness by some buyers to pay a premium price for renewable energy
- marketers and consumers need to be able to verify authenticity

Anne Marie Cuneo, Nevada Public Utilities Commission

- the Western Renewable Energy Generation Information System (WREGIS) is an independent renewable energy database for the region covered by the Western Interconnection in the United States
- an independent renewable energy tracking system is needed
- building consumer confidence in the renewable energy market continues to be a challenge

THE CLIMATE REGISTRY AND THE WESTERN REGIONAL CLIMATE ACTION INITIATIVE

Pat Cummins, Western Governors' Association

- the Climate Registry is aimed at developing and managing a common greenhouse gas emissions reporting system for member states, provinces, tribes and reporting entities; to date, participants include 34 states, two provinces and three tribes
- the Climate Registry will support mandated programs, including emissions reporting and reduction programs
- a common system is needed for measuring and storing high-quality greenhouse gas emissions data and reduction records
- the Western Regional Climate Action Initiative, which is the first step in developing a regional carbon-trading mechanism, requires the setting of an overall regional goal to reduce greenhouse gas emissions, the development of a market-based, multi-sector mechanism to achieve that goal, and participation in a cross-border greenhouse gas registry

- to date, six U.S. states and British Columbia are participating in the Western Regional Climate Action Initiative; Manitoba is expected to join the Initiative

IMPLEMENTATION OF THE NATIONAL INTEGRATED DROUGHT INFORMATION SYSTEM

Scott Rayder, National Oceanic and Atmospheric Administration

- progress is being made regarding the establishment of a National Integrated Drought Information System (NIDIS)
- drought conditions result in fires; they also affect agriculture, ranching, fish and wildlife
- for every \$1 invested in mitigation, \$4 is saved in impacts
- the NIDIS will provide real-time reports on an hourly basis, and will indicate where drought conditions are developing and are likely to develop
- weather radios are being distributed to public schools in order to provide real-time information on hurricanes, tornados and fast-moving fires

NATIONAL WILDLAND FIRE WEATHER NEEDS ASSESSMENT

Sam Williamson, U.S. Department of Commerce

- the threat of wildfires continues to exist, and the risk in 2007 is above-average
- the needs of wildland fire managers should be analyzed, and a plan for addressing those needs should be developed
- a one-stop-shop website is required

TRANSITIONING TO A NEW ENERGY ECONOMY: WHERE VENTURE CAPITAL IS GOING

Ray Lane, Kleiner Perkins Caufield & Byers

- venture capital rushes to opportunities, and entrepreneurs are embracing sustainability
- the world's climate is changing, as is the energy business in the Western states
- political will is solidifying
- coal, wind, solar, thermal, biomass, etc. can all be clean sources of energy
- investments are occurring in a range of energy sources, including wind, geothermal, biofuels, solar, coal and fuel cells; everything is being funded, and entrepreneurs will dictate success
- more funding is needed in research and development, and the United States is lagging in technology development
- actions at the state level are having an effect in Washington, D.C.; the states should not wait for the federal government to act, but should continue to act on their own

THE FARM BILL

Secretary of Agriculture Mike Johanns, United States Department of Agriculture

- the next Farm Bill is something more than a piece of legislation that reauthorizes farm subsidies; the Bill will also address nutrition programs, renewable energy, food stamps, conservation, etc.
- although the 2002 Farm Bill provided the right measures for that time, times in agriculture change and so too should the Farm Bill
- the agricultural sector currently has the lowest debt-to-asset ratio in recorded history
- the listening tour resulted in a set of principles:
 - more predictability
 - more equity
 - an enhanced ability to withstand trade challenges
 - fiscal responsibility

THE CHANGING AGRICULTURAL ECONOMY

U.S. Trade Representative Deputy Ambassador Karan Bhatia, Office of the U.S. Trade Representative

- the economic evidence of the past 50 years is clear: international trade has had a tremendously beneficial impact on the U.S. economy
- benefits of trade include:
 - exports, which result in higher incomes and a higher standard of living
 - imports, which result in more choice and lower prices
 - foreign investment
 - enhanced competitiveness
- despite the economic benefits of trade, political challenges exist, since trade and globalization involve change and dislocation for some businesses and employees; consequently, retraining and trade adjustment assistance are provided
- trade is responsible for less dislocation than is commonly thought; less than 3% of job losses occur because of trade
- the Western states have benefited disproportionately from trade liberalization
- real opening of markets and trade liberalization are needed during the World Trade Organization Doha Round, but a conclusion to the Doha negotiations should not occur at any cost
- the United States has four bilateral agreements on the horizon: Peru, Panama, Columbia and Korea

- the granting of trade promotion authority is a priority; no President has lacked such authority
- it is critically important to enforce trade agreements and to ensure that trading partners honour their trade obligations

South Dakota Secretary of Agriculture Bill Even, South Dakota Department of Agriculture

- agriculture is diverse and it is changing
- South Dakota's certified beef program, which verifies age, source and process, is designed to add value to beef and to provide consumers with information
- South Dakota has a burgeoning ethanol industry

IMMIGRATION AND INTERNATIONAL TRAVEL

Stewart Baker, U.S. Department of Homeland Security

- no one likes the status quo as it relates immigration; existing tools and laws are fatally flawed
- the problem cannot be solved by building a fence, since people would find a way around the fence
- strong enforcement is needed, and fines should be set at a level that would deter unlawful activity
- strong identification is required, and documents that are issued should be based on a careful process and should be difficult to alter
- regarding the Western Hemisphere Travel Initiative, there exists a worry that terrorists will fly into Canada and drive across the shared border
- drivers licences and identification are "at the heart" of both immigration and terrorism
- a security problem exists as long as low standards exist for drivers licences and as long as licences can be used to board an airplane
- the demand, or requirement, for better identification is not going to go away
- the requirements of the federal REAL ID Act could impose significant costs on the states
- although the enhanced drivers licence project between Washington State and British Columbia is a useful model, and while there is some interest in having other states participate, there are problems that still must be resolved

TRANSITIONING TO A NEW ENERGY ECONOMY: THE GRID

Commissioner Suede Kelly, Federal Energy Regulatory Commission

- "heat" means high prices, and widespread heat is expected in summer 2007
- electricity prices are high – and are going higher – and are volatile because the price of natural gas is volatile

- the demand for electricity continues to increase despite its rising price
- since traditional gas supplies are dwindling, reliance on foreign gas is expected to rise
- crises uniquely enable change to occur and move transitions into the “fast lane”
- in the near term, the focus will be on efficiency, since there is insufficient time to build additional generation; in the short term, more renewable energy sources will be introduced to the grid, while in the longer term, carbon-neutral sources will be added to the grid
- a federal renewable portfolio standard is likely to be enacted; states could still have their own standard
- benefits of renewable energy include:
 - price volatility is low
 - the price of electricity may fall
 - energy security is enhanced through diversification
 - employment creation occurs
 - positive environmental impacts occur
- even without a national carbon policy, some states are developing their own policy
- the Climate Registry will provide a common greenhouse gas emissions recording system
- the Federal Energy Regulatory Commission has no jurisdiction over the demand side or the supply side; its jurisdiction occurs where the two meet
- no one wants a transmission line in his/her backyard, particularly if the energy is going to be shipped to some other state
- according to the federal Energy Policy Act, federal siting of transmission lines is possible in some circumstances
- the Federal Energy Regulatory Commission has the authority to provide transmission incentives when they are needed
- cooperative relationships are required to build and maintain a transmission grid

COPING WITH CLIMATE CHANGE

Christopher Field, Carnegie Institution of Washington

- four key messages underlie climate change conclusions:
 - almost every part of the United States is experiencing economic, cultural, etc. disruptions because of severe weather events
 - impacts occur in extremes, not in the mean
 - there are vulnerable people in every region and sector

- there are tremendous opportunities for adaptation
- there are five impact areas in North America and the West:
 - coasts – more people and more infrastructure are at risk as a consequence of rising sea levels as well as an increasing intensity and frequency of severe hurricanes
 - cities – there are a range of challenges to infrastructure and human health, including in respect of sub-standard infrastructure and the mortality associated with heat waves; in particular, there are at least four areas of public health to consider: the direct effects of heat; air pollution; infectious diseases; and decreased general health related to economic and social conditions
 - agriculture – while agricultural yields are rising in some areas and some regions are experiencing a longer growing season, there are difficulties in areas that rely on irrigation
 - wildfires – fires are a particular problem for the West
 - water availability – there is increasing demand for water, in part due to a growing population, the Southwest is likely to experience more frequent and more severe hurricanes, and winter storm events are becoming winter rain events, which is an important consideration given the dependence on snowfall to store moisture
- two categories of solutions are available:
 - improve adaptation – insurance, early warning systems, construction and manufacturing standards
 - mitigation – conservation, efficiency, new technology

Peter Kareiva, The Nature Conservancy

- a dramatic re-orientation is needed
- society should respond to the climate change that is underway, and should act to protect the land and water
- a vulnerability analysis should be undertaken in each state and perhaps at the regional level, and that analysis should be done regularly; global and national discussions are not sufficiently specific
- in order to invest resources most effectively adaptation and triage should occur; the impacts on natural assets should be reduced, for example by providing corridors due to the movement of species' ranges
- ongoing monitoring is needed, and decision support tools should be available for those in the field
- the tendency to get locked into the traditional ways of doing things should be avoided

- With climate change, everyone must recognize that change is inevitable, and they must become more flexible in managing resources

Respectfully submitted,

Hon. Jerahmiel Grafstein, Senator
Co-Chair, Canada-United States
Inter-Parliamentary Group

Rob Merrifield, M.P.
Co-Chair, Canada-United States
Inter-Parliamentary Group

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	Western Governors' Association 2007 Annual Meeting
DESTINATION	Deadwood, South Dakota United States of America
DATES	June 10-12, 2007
DELEGATION	
SENATE	Ø
HOUSE OF COMMONS	Mr. Rob Merrifield, M.P., Co-Chair Hon. Wayne Easter, P.C., M.P. Mr. Paul Crête, M.P.
STAFF	Mr. Daniel Charbonneau Executive Secretary Ms. June Dewetering Analyst
TRANSPORTATION	\$14,573.80
ACCOMMODATION	\$1,957.08
HOSPITALITY	\$ Ø
PER DIEMS	\$1,801.35
OFFICIAL GIFTS	\$ Ø
MISCELLANEOUS/REGISTRATION FEES	\$2,074.31
TOTAL	\$20,513.43