

# Wisconsin State Assembly

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February 9, 2010

Dick J. Leinenkugel  
Secretary  
Wisconsin Department of Commerce  
201 West Washington Avenue  
Madison, Wisconsin 53707-7970

Dear Secretary Leinenkugel:

Thank you for testifying before the Assembly Special Committee on Clean Energy Jobs on Governor Doyle's Global Warming legislation. While your review of the job-creating aspects of the Governor's proposal was appreciated, we need meaningful cost-benefit analysis of the entire bill.

In a February 2 *Manitowoc Herald Times Reporter* article, you indicated that the Doyle Administration will be commissioning an independent study to assess job creation and costs linked to Wisconsin's efforts to produce renewable energy. We view this cost-benefit study as a very positive development and respectfully ask that you consider the following issues in the scope and design of this study so that its conclusions will provide legislators with the information necessary to properly evaluate the Governor's Global Warming legislation.

## *Cost-Benefit Study Design – Key Assumptions*

The economic assessment of Governor Doyle's Global Warming legislation completed by his Office of Energy Independence and released in early January assumes a national cap-and-trade tax on carbon emissions of \$20/ton. This assumption ignores the political reality that a federal cap-and-trade carbon tax scheme is highly unlikely in the near future, if at all.

Last week, at a Town Hall meeting in Nashua, New Hampshire, President Obama signaled a willingness to accept an energy bill working its way through Congress that did not include a cap-and-trade carbon tax. This policy shift by the Obama Administration reflects growing unease over cap-and-trade among Congressional Democrats and Republicans. Senate Majority Whip Dick Durbin's (D-Illinois) comments are instructive. In a recent news article, when he was asked about cap-and-trade legislation, he responded by saying that "At this point I'd like to see a complete bill, but we have to be realistic."

The Obama Administration's plan to bypass Congress and impose cap-and-trade through EPA regulation is also running into bipartisan resistance from Congress. Last week, two high-ranking House Democrats, Representatives Ike Skelton (D-Missouri) and Collin Peterson (D-Minnesota) introduced legislation to prohibit the EPA from regulating carbon emissions under the federal Clean Air Act. A similar proposal by Representative Earl Pomeroy (D-North Dakota) has the backing of Wisconsin Congressman Steve Kagen. A companion Senate proposal co-authored by Senators Lisa Murkowski (R-Alaska) and Blanche Lincoln (D-Arkansas) is also under consideration.

Cost-benefit analyses predicated on false assumptions are useless. Rather than ignoring political reality, we recommend the cost-benefit analysis of the Governor's Global Warming legislation be done with and without the assumption of a \$20/ton carbon tax.

*Cost-Benefit Study – Scope*

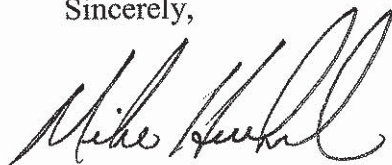
In addition to making flawed assumptions, the Office of Energy Independence assessment was incomplete. The report did not include any data detailing the costs associated with each of the job-creating government mandates, regulations and programs. Nor did the report factor in all of the mandates and regulations in the Governor's proposed legislation including state adoption of a Low Carbon Fuel Standard mandate, California car emission standards and a Building Energy Code for newly-constructed residential homes.

To suggest that higher prices for gas at the pump, cars sold in Wisconsin and new homes built in the state won't have an economic impact on consumers and job creation stretches the bounds of credibility. If the Administration's impending cost-benefit analysis includes only a portion of the new mandates, regulations and programs in Governor Doyle's Global Warming legislation, it will be of little value to lawmakers who are evaluating its impact on our constituents.

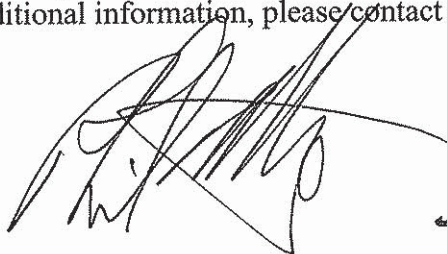
The Assembly Special Committee on Clean Energy Jobs has scheduled its next public hearing for Monday, February 15. We respectfully ask you to provide committee members with further details on the design and scope of the independent cost-benefit analysis. Furthermore, we respectfully ask that you share with us the timeline for the completion of the study so that we can plan accordingly for further committee action on the bill.

Thank you in advance for your prompt consideration of our request. In the interim, if you have questions or need additional information, please contact us.

Sincerely,



Mike Huebsch



Phil Montgomery



Scott Gunderson