

Energy and Climate Change – What Are the Politics?

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Brief Recap of Energy and Climate Legislation

- In June, H.R. 2454 passes House with combined energy provisions and cap and trade program by narrow margin
- June, Senate Energy and Natural Resource Committee passes S. 1462, energy-only bill with bipartisan support
- Sept-Oct, Senate Environment and Public Works Committee produces and passes S. 1733, cap and trade in H.R. 2454, with Republicans boycotting the process
- President Obama and US team in Copenhagen now to “pledge” 17% reduction below 2005 levels by 2020

Climate Change – APPA Priorities

- APPA letter sent on September 15 to all Senators stressing APPA's priorities based on House bill:
 - Price collar must be included
 - Allocate (not auction) all allowances to LDCs - no direct allocation to unregulated merchant coal generators
 - Allocate enough allowances to electricity sector to avoid immediate fuel switching
 - Clearly separate greenhouse gas emissions reduction program from Clean Air Act
 - Targets and timelines should allow for new technology

Energy Legislation

- APPA supported S. 1462 as passed by the Senate ENR Committee but seeks changes to some provisions such as cyber security and “peak demand reduction goals”
- Less supportive of energy provisions in H.R. 2454
- The jobs are in the energy bill, not the cap and trade bill

Effort to Draft New Senate Bill

- S. 1733 as reported by Environment Committee has no chance on the Senate floor
- New effort to salvage legislation led by Sens. Kerry (D-MA), Graham (R-SC), and Lieberman (I-CT). Based on WSJ op-ed by Sens. Kerry and Graham laying out 6 key elements at legislation:
 - Aggressive emissions reductions
 - Increasing nuclear power
 - Incentives for CCS/coal technologies
 - More domestic oil and gas production
 - Maintaining global competitiveness
 - Floor and ceiling for cost of allowances
- Negotiation on a new bill also includes the Administration and all 6 Senate Committees with jurisdiction (e.g. Finance, Agriculture)

The Plan to Move Forward In the Senate

- Kerry, Graham, Lieberman to produce bill outline in mid-January
- Legislative text presumably follows shortly thereafter
- Work with other committees to reach agreement – may involve some committee mark ups, e.g. Finance
- Merge with energy bill, S. 1462 and bring to the Senate floor by April
- Could take 3-4 weeks to complete on the Senate floor

Doing Nothing Is Always Easier than Doing Something

- The obstacles to legislation are large:
 - Time (2010 mid-term elections)
 - Controversy – most major issues remain unresolved)
 - Complexity – few understand the important details; so many committees involved
 - Other priorities – health care, financial services reform, appropriations
 - Energy and environmental issues tend to be more regional than partisan
 - EPA regulatory action

2010 Elections

- Economy, foreign policy likely to be the major issues
- About 40 House Democrats, many from moderate/conservative formerly Republican districts, are being targeted. Some voted for House bill, many did not.
- Several moderate Senate Democrats face potentially tough re-elections, including Sens. Lincoln, Bayh, Dorgan, and Specter
- Public support for protecting the environment remains high, but “belief in global warming as human-caused” has declined: 71% in 2007 and 51% in 2009 per recent Harris poll

Debate on Financial Services Regulation Influences Cap and Trade

- Financial sector meltdown eroded confidence in markets
- Financial reform efforts at balance of risks and rewards likely to affect confidence in ability to regulate \$1 trillion carbon market
- Some have voiced serious doubts including Sens. Dorgan and Cantwell

Where To From Here?

- Cap and trade bill not likely in 2010
- Energy bill not likely either, but not as unlikely
- Opportunity emerges for consideration of alternatives to economy wide cap and trade
 - Sen. Cantwell – style “cap and dividend”
 - Carbon fee (OK, it’s a tax)
 - Direct regulation established by new legislation
 - Energy sector only cap and trade
 - EPA imposition of the Clean Air Act