



Interfaith Power & Light

A religious response to global warming

The American Clean Energy and Security Act ***Summary and Priorities for Strengthening***

The American Clean Energy and Security Act (the act), sponsored by Congressmen Waxman and Markey represents a huge step forward toward stabilizing the climate and building a clean energy future.

The act, now HR 2454, passed out of the House Energy and Commerce Committee on May 21st. It is expected to reach the House floor toward the end of June. The Senate is working on complementary legislation.

Key Provisions of HR 2454

A Cap on Greenhouse Gas Emissions

The overarching goal of HR 2454 is to stabilize the climate by setting a cap on global warming pollution. In total, it will reduce greenhouse gas emissions at least 28% below 2005 levels by 2020, and 83 percent by 2050.

The act sets short, medium, and long-term emissions targets for reducing global warming pollution for all major emitters. The cap would reduce U.S. emissions across 85 percent of the economy by 17 percent below 2005 levels by 2020, by 42 percent by 2030, and by 83 percent by 2050.

Emissions would be further reduced through reductions in tropical deforestation in other countries (which now accounts for a fifth of global carbon emissions). This is a key policy to get supplemental emissions reductions through a program that supports developing nations in protecting biodiversity and keeping their forests. Specifically, an international program would be funded to achieve in 2020 supplemental reductions equal to 10 percent of U.S. 2005 emissions.

Between the cap and the complementary policies, the act achieves emissions reductions of at least 28 percent below 2005 levels by 2020. (15 percent from the cap over 85 percent of the economy, ten percent from avoided deforestation, three percent from programs outside the cap).

The act also directs the EPA to review the latest global warming science and the National Academy of Sciences to review the targets periodically in light of the best available science and technological advancements, and determine if accelerated reductions are needed. If they are, the agencies must adjust regulations and recommend legislative changes to Congress. This is an excellent insurance policy in case emissions reductions need to be accelerated.

Renewable Energy and Energy Efficiency Standard

The RES and EES combined standard requires electrical utilities to procure 20 percent of their energy from renewable sources and energy efficiency by 2020. Up to five percent could come from energy efficiency. The definition of renewable includes sources like municipal solid waste and biomass from federal lands as well as truly clean solar and wind energy.

Improved Energy Efficiency in Buildings and Appliances

The act establishes strong new building codes and appliance standards for energy efficiency. Buildings must be 30 percent more efficient by 2020 and 50 percent by 2016. These standards would save consumers an estimated \$25 billion a year by 2030, according to the Building Codes Assistance Project.

Transportation Sector

The act mandates that states and metropolitan regions create new transportation plans that establish emission reduction goals from their transportation sectors. A competitive grant program is authorized to implement these plans. It also directs the EPA to set efficiency standards for new non-road vehicles and engines such as aircraft, marine vessels, and trains.

Assistance for Low-Income Households and Vulnerable Communities in the U.S.

A significant portion revenue from the sale of emissions permits is directed to assist low-income households with energy costs (see pie chart below). Additional funds are earmarked for green job transition programs focused on workers who are affected by the shift from fossil fuels to clean energy.

The act also authorizes and increases access to grants for community financing to improve energy efficiency and develop distributed renewable energy supplies in low-income rural and urban communities. It includes provisions that help low-income families upgrade to Energy Star rated manufactured homes.

Protection for Tropical Forests

The act provides billions in funding, from setting aside revenue from the sale of permits, to slow down tropical deforestation and degradation. This is critical since worldwide the loss of these forests contributes to 20 percent of global warming emissions – as much as every car, truck and plane in the world. Funding avoided deforestation projects is one of the most efficient ways to reduce carbon pollution, while protecting biodiversity. This program is intended to reduce emissions by an additional ten percent (as referenced above).

International Mitigation, Adaptation, and Clean Technology Sharing

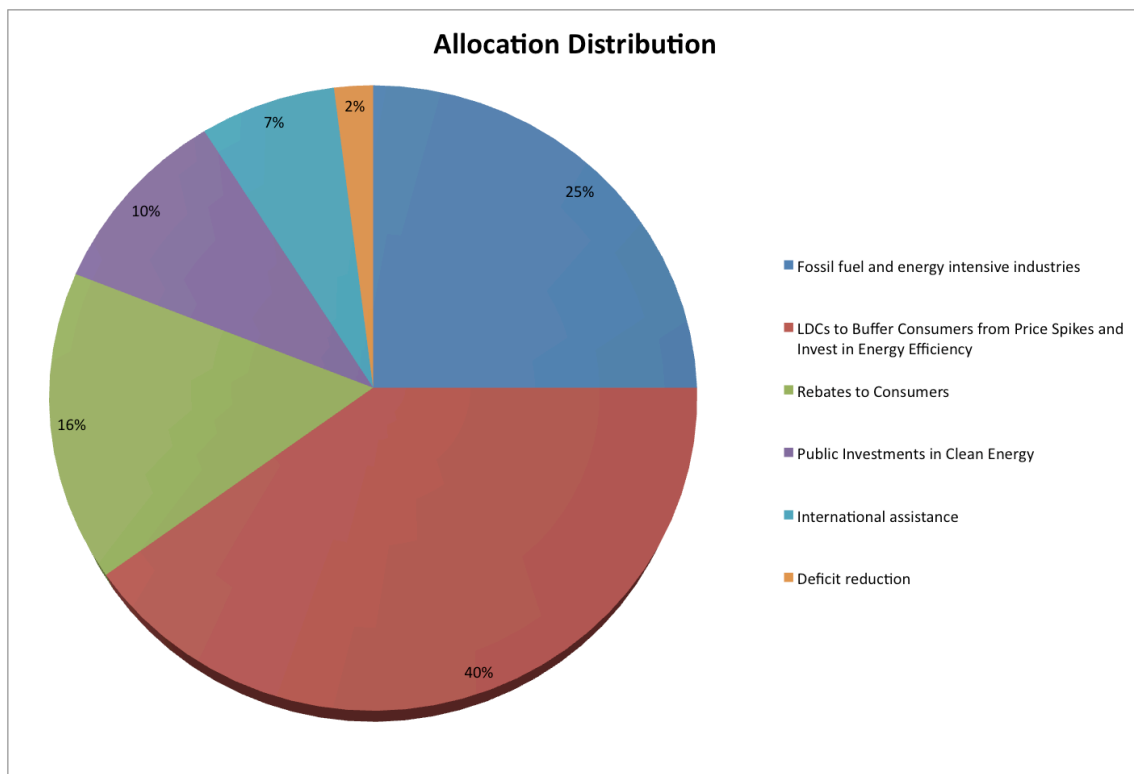
The act provides for elements that will be essential to ensuring a global solution. It commits assistance to fund international adaptation and clean technologies for developing nations. These elements are crucial elements in our negotiations with other countries as we lead up to the December 2009 international climate treaty in Copenhagen, Denmark.

Permit Allocations

By placing a cap on global warming pollution, and requiring permits for its release, the act puts a monetary value on emissions. Each year, polluters will need to purchase one permit for every ton of pollution they release. The permits, or allowances, are projected to be worth \$90 billion by 2020. At its outset, the act allocates the permits to federal programs, states, administrative entities, and the private sector. Eventually, as the cap ratchets down, the auction component increases, with most of the permits being sold to polluters, creating revenue for public purposes.

The allowance distribution proportions change over the lifetime of the act. By 2020, about forty percent of the permits will be provided directly to utilities via local distribution companies to protect consumers and invest in energy efficiency. Sixteen percent will go directly to assist moderate and low-income households with energy costs through tax credits and other assistance. About 25 percent will go to fossil fuel companies and energy intensive industries with the goals of consumer protection and avoiding shifting jobs overseas, respectively. Seventeen percent will be allocated to states and other entities for public purpose programs, such as domestic impacts mitigation, international mitigation for most vulnerable countries, natural resource protection, clean energy investments, and worker training. Finally, two percent of the revenue is earmarked for deficit reduction.

The Congressional Budget Office has said the act meets its “pay as you go” requirement. Below is a graph showing how the revenue is divided at the outset of the program.



Priorities for Amendments

HR 2454 can and should be strengthened in several ways to make it more effective and equitable. Following are IPL's three priorities for amendments.

- ***Stronger Energy Efficiency and Renewable Energy Standard***

IPL supports an increase in the standard to achieve 30% of our electricity from clean nonpolluting sources by 2030. Utilities should be able to achieve 17% from renewables and 10% from improved efficiency by 2020, while maintaining flexibility to make up the last 3% with either category. In addition, the definition of renewable should include only truly clean, nonpolluting energy sources such as wind, sun, and geothermal energy. Strengthening these standards will provide additional benefits of cleaner air and new, clean energy jobs for U.S. workers.

- ***More allocations should be auctioned to create a larger stream of revenue for public purpose programs***

The bill auctions a portion of the permits in a market system, creating a source of revenue to assist low-income and middle-income households with energy efficiency. If more permits were auctioned, a larger stream of revenue could be used for other important public purposes, such as clean jobs development, and providing assistance to vulnerable countries and communities. Currently, many permits are given away for free to polluting industry, reducing available funds to support a transition to a clean energy economy. The timeline for phasing out these giveaways should be accelerated.

- ***More funding for Green Jobs Development and International Adaptation***

Allocations to polluting industries should be redirected to order to bolster green jobs development and protection of vulnerable communities. Specific public programs that should receive additional funding are:

- ✓ The State Energy and Environment Development Accounts for investments in renewable energy and energy efficiency
- ✓ The Green Jobs Act to ensure the skilled workers necessary to rebuild and repower this nation
- ✓ International Adaptation to assure assistance for vulnerable communities displaced or injured by the effects of global warming
- ✓ U.S. adaptation accounts.

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