

To: Senator Tom Udall
From: New Energy Economy

The U.S. House of Representatives recently approved a “landmark” climate and energy bill, the American Clean Energy and Security Act of 2009 (ACES). The bill has grown to nearly fifteen hundred pages and covers everything from emissions to offsets to green building to renewable energy.

The bill has caused mixed reactions. Al Gore, big business, and major environmental groups are hailing the progress that is being made towards passing America’s first global warming bill. Yet at the same time, perhaps trillions of dollars of revenue will be handed over to energy corporations in what the Office of Management and Budget is calling the “largest corporate welfare program” ever enacted.

We all desperately want to see federal action on climate change, but ***we at New Energy Economy believe this bill – as it is currently written – won’t get the job done and will enrich big energy companies at the expense of low income families. Unless it is dramatically improved, the bill is not worth supporting.*** In short the Waxman-Markey bill:

- Sets a target that won’t substantively reduce emissions for many decades, allowing for continued warming and triggering potentially dangerous positive feedback loops;
- Allows for huge amounts of “offsets,” which would allow companies to continue polluting by purchasing cheap unregulated carbon allowances on the international and domestic market;
- Gives away hundreds of billions of dollars every year for the next 20 years to polluting industries;
- Disproportionately impacts low and middle income families from rising energy prices;
- The authority of the EPA to regulate emissions from the oldest and dirtiest coal-fired power plants will be revoked;
- Fails to adequately invest in clean energy technologies and invests large sums in unproven and risky “clean coal technologies”.

Some supporters of the bill have acknowledged its problems, and have said that we “just need to get something passed” and “we can go back in a few years and fix it.” Unfortunately, we think this strategy is misguided. It is an exceedingly inefficient way to get a small reduction of emissions. It is potentially harmful, because it would delay by at least a decade or two the possibility of getting on a path that is fundamentally sound from economic and climate preservation standpoints.

Consequently, New Energy Economy is recommending that the Waxman-Markey bill be dramatically improved to include provisions that will protect low-income families and will ensure a meaningful reduction in greenhouse gas emissions. In particular we are calling for:

- (1) science based targets to reduce emissions (e.g. the IPCC recommends more than a 25% reduction below 1990 levels by 2020);
- (2) an auction of 100% of carbon allowances (i.e. no free giveaways to carbon-intensive industries); and
- (3) provisions that return the revenues back to taxpayers and to investments in clean energy – not to energy companies.

These requests may seem bold, but President Obama made campaign pledges on all three of these points and other politicians are now backing the ideas of a “cap and dividend” program. Gov. Schwarzenegger, for example, last week endorsed a dividend program and asked that revenues from a California climate program be returned not to energy companies, but to taxpayers.

Furthermore, there is a large-scale real-life example showing that free giveaways will be a boon to companies and a problem for consumers and future generations. The European Union enacted a climate program in 2005 and the majority of permits were given freely to corporations. As many in Congress are now claiming, these giveaways were to ensure that ratepayers wouldn't be hurt by rising energy costs as fossil fuels were phased out and more expensive clean energy resources were brought on line. The results were predictable. The energy corporations pocketed the money, Europeans now pay more for their energy, and global warming pollution hasn't been reduced.

And who would expect otherwise? Imagine that carbon permits are World Series tickets. If the government gives all tickets to Exxon for free, with no strings attached, will Exxon let people into the stadium for free, or sell tickets for what the market will bear and pocket the money?

ACES vs. Cap, Auction & Dividend

The fundamental reason that we do not switch to cleaner energies is that fossil fuels remain the cheapest energy source, as long as they do not have to pay for their costs to society. We already should have been making fossil fuels pay for the damage they cause to human health and the environment. ACES is a Cap & Trade program. It relies on the market and has the following characteristics: (1) unpredictable price volatility, (2) it makes millionaires on Wall Street and other trading floors at public expense, (3) it is an invitation to blackmail by utilities that threaten "blackout coming" to gain increased emission permits, (4) it has overhead costs and complexities, inviting lobbyists and delaying implementation. The biggest problem with the Cap & Trade approach is that it will not solve the problem. It may slow emissions, but because of the long lifetime of atmospheric CO₂, slowing the emissions does little good. As long as fossil fuels are the cheapest form of energy they will continue to be used.

With a Cap, Auction & Dividend approach there would be a direct carbon fee applied uniformly to all oil, gas and coal at the source, that is at the first sale at the mine or port of entry, and it declines by at least 25% below 1990 levels by 2020. Carbon permits are issued up to each year's cap, and companies bid for these permits at competitive auctions in a 100% auction system. Income from permit sales is passed to all Americans in dividends, and the dividends cushion the higher prices caused by carbon capping.

You can learn more about this at www.CapAndDividend.org.

New Energy Economy has been organizing throughout New Mexico around the principles of a science-based cap, auctioning all carbon permits and returning the revenues back to consumers, and we have found tremendous community support. For example, we have obtained the support of more than 350 New Mexico businesses from Hobbs to Clayton to Gallup to Taos to Santa Fe to Albuquerque, who are all supporting the goals outlined above.

In short, we believe that America can and needs to do better than what is proposed in the Waxman-Markey bill, and we urge you to support a cap, auction, and dividend program in order to avert this great intergenerational injustice.

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