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Senate Energy hearing examines climate bill allowances

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Senate Environment Committee Chair Barbara Boxer (D-CA) hopes the climate bill she's co-authored with Sen. John Kerry (D-MA) will move through the Senate quickly this fall. But a Senate Energy Committee hearing Wednesday on emission allowances under a cap-and-trade system added to a growing sense that quick action is unlikely.

In a slap at the House-passed Waxman-Market climate bill, Senate Energy Committee Ranking Member Lisa Murkowski (R-AK) charged in the Wednesday hearing that the House rushed its legislation through too quickly, "more concerned about who would receive free permits under that bill than the program's overall direction and design." She said "By picking winners and losers within its cap-and-trade system, the House did not develop a better bill. It merely advantaged some energy resources while disadvantaging others."

Calling the climate debate in Congress "counterproductive and polarized," Murkowski explained that "while it's important to address climate change in a timely manner, I believe it's more important to find the right policy." And she got Democratic support for a slower, more deliberative approach. Sen. Byron Dorgan (D-ND) commented in the hearing that "Despite the fact we're talking about cap and trade or a carbon fee and climate change, my desire would be that we take the energy bill that we passed some long while ago in this committee, take it to the floor, pass it, because it moves significantly in direction of addressing climate change, maximizing renewables, a national RES [renewable electricity standard], building efficiency, all the things you would do to try to address climate change." He said that with no climate bill likely this year, the focus should be on passing energy legislation now and postponing work on a climate bill until next year.

The hearing itself may have provided further reason for delay. Senators heard testimony from Dr. Denny Ellerman of MIT's Center for Energy and Environmental Policy Research, Dr. Gilbert Metcalf of Tufts, Dr. Karen Palmer of Resources for the Future, and Dr. Chad Stone of the Center on Budget and Policy Priorities. The four witnesses outlined the complexity of allocating allowances in ways which will offset the disproportionate impacts of climate legislation on low-income families. They warned about the risk of using allowances in ways which hide the increased cost of fossil fuels.

Instead, they argued, the goal should be to make consumers aware of the increased cost so that they will reduce consumption and switch to renewable energy sources.

Metcalf testified that “it is important to design the mechanism carefully to avoid customer misperceptions that any return of allowance value is diluting the price signal required to achieve maximal emission reductions at minimal cost.” But Metcalf did not support delay, instead insisting that “Enacting a carbon price through a greenhouse gas emissions cap and trade system will help the United States move to a carbon free economy in the most efficient manner possible. Passing cap and trade legislation, therefore, should be at the top of the political agenda for Congress and the administration.”

Sen. Bob Corker (R-TN) voiced his own reasons for doubt and delay on climate legislation. He said “if those of us involved in the legislative process could trust that not one penny at the end of the day was going to leave consumers and either go into corporate pockets or government coffers, that 100% of that was going to be returned and we knew it was never going to be utilized as a source of funding the additional size of government, it think it would go a long ways toward mitigating some of the contentiousness over this.”

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