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## **Midwestern senators seek fairness in climate change bill**

**By Agri-Pulse Staff**

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In another sign that climate change legislation faces a steep, uphill climb in the U.S. Senate, Senator Tom Harkin (D-IA) and 13 other senators asked their leadership to make sure that any climate and energy legislation that comes out of Congress does not unfairly or disproportionately raise electricity costs in the mid-section of the country that they represent.

Under the current Senate and House clean energy bills, certain utilities – particularly those that are coal dependent – will need to purchase more emissions allowances than others, and those higher costs will be passed on to their customers. The letter, which was sent to Senators Reid, Boxer, Baucus and Kerry, asks that the clean energy bill base the allocation of greenhouse gas emission allowances solely on historical emissions, rather than using the formula in the current Kerry-Boxer bill (S. 1733) in which allowances would be provided based only 50 percent on emissions and 50 percent on sales.

This proposed 50-50 allocation formula in practical effect means that the granting of allowances is not carefully focused on those utility companies that really need them based on their recent levels of greenhouse gas emissions. Consequently, a substantial share of the emission allowances would be granted to some utilities in amounts exceeding their real need, while others would be forced to raise electricity rates for consumers.

“We believe it is essential that we strive to formulate legislation that equitably distributes transition assistance across individuals, as well as states and regions and economic sectors,” wrote the Senators. “We urge you to ensure that emission allowances allocated to the electricity sector – and thus, electricity consumers - be fully based on emissions as the appropriate and equitable way to provide transition assistance in a greenhouse gas-regulated economy.”

The full text of the letter follows:

November 12, 2009

Dear Senators Reid, Boxer, Baucus and Kerry,

As the Senate formulates and debates energy and climate change legislation, it is clear that revamping our energy systems with alternative energy resources and technologies will be fundamental to our strategy for achieving energy security and reducing greenhouse gas emissions. A transition of this magnitude will take years to accomplish and will incorporate major changes to the way we produce and use energy. Both the House-passed “American Clean Energy and Security Act” (H.R. 2454) and the recently introduced “Clean Energy Jobs and American Power Act” (S. 1733) recognize the importance of helping individuals and firms by alleviating potential financial impacts as this transition takes place. This assistance, in the form of the allocation of greenhouse gas emission allowances, is an important tool for protecting consumers and businesses as we move to adopt new energy systems and decrease greenhouse gas emissions. To be fair and effective, any legislation must equitably allocate these allowances to individuals and across states and regions and economic sectors.

The House bill falls short of that equitable distribution goal with its formula for allocating allowances to local distribution companies based 50 percent on emissions and 50 percent on sales. Unfortunately, the Senate bill currently under consideration includes the same 50/50 allocation provision. Under the proposed 50/50 formula, utilities that are more coal dependent will need to purchase even more allowances than they would have if all allowances were allocated based on emissions, and those higher costs will be passed on to their customers. Meanwhile, many utilities with relatively lesser emissions will receive sufficient allowances to completely cover their initial requirements. Thus, their customers will experience no price increases resulting from the legislation.

We believe it is essential that we strive to formulate legislation that equitably distributes transition assistance across individuals, as well as states and regions and economic sectors. We urge you to ensure that emission allowances allocated to the electricity sector – and thus, electricity consumers -- be fully based on emissions as the appropriate and equitable way to provide transition assistance in a greenhouse gas-regulated economy.

We thank you for your efforts to build consensus on the critical issue of energy and climate legislation. The change we recommend would contribute to a more balanced and equitable bill for the Senate’s consideration, and a better strategy for America.

Sincerely,

Senator Tom Harkin  
Senator Al Franken  
Senator Roland Burris  
Senator Byron Dorgan

Senator Herb Kohl  
Senator Russell Feingold  
Senator Kent Conrad  
Senator Michael Bennet  
Senator Amy Klobuchar  
Senator Mark Udall  
Senator Robert Byrd  
Senator Carl Levin  
Senator Debbie Stabenow  
Senator Sherrod Brown

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