



ENE Releases Issue Summaries and Recommendations for American Power Act

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ROCKPORT, ME – ENE, a leading climate and energy advocacy organization, is issuing today summaries and analysis of key provisions of the *American Power Act* (“APA” or the “Act”). APA, released last week by Senators Kerry (D-MA) and Lieberman (I-CT), sets forth a comprehensive approach to U.S. climate and energy policy, including the establishment of a greenhouse gas (GHG) cap and trade program that promises to advance the country toward a more sustainable and efficient economy and create millions of jobs in the energy efficiency and clean energy fields.

“Americans are ready to build a competitive clean energy economy, reduce global warming pollution and end our overreliance on fossil fuels and inefficient use of valuable energy resources. This bill marks an important step toward accomplishing these critically important goals,” said ENE Executive Director, Dan Sosland.

“The APA sets forth an ambitious suite of policies that ENE believes can be improved in order to maximize consumer savings and investments in the cleanest energy sources. Our recommendations address improvements in the areas of energy efficiency; maintaining the role of states in GHG regulation; offset provisions; and protection of valuable forestlands,” said Sosland.

The bill sets a declining cap on GHG emissions, achieving reductions from 2005 levels of 17% by 2020 and 83% by 2050. The program starts with power plants and petroleum-based fuel providers in 2013, with trade-exposed industries and natural gas distributors coming under the cap in 2016. Emitters may use up to 2 billion offsets in lieu of emissions allowances to comply with the program. Allowances (permits to emit) are both auctioned and distributed for free, with free allocations decreasing over time. In the early years of the program almost half of allowances are allocated for the benefit of electric, natural gas, oil, and propane consumers. After 2030, three-quarters of allowances are dedicated to consumer refunds and deficit reduction. See *ENE Emissions Cap and Allowance Allocations in APA Overview and Charts*: <http://env-ne.org/resources/open/p/id/1059>

In its initial analysis ENE highlights the following key provisions of the bill and areas for improvement, with links to more detailed summary and analysis documents:

- **Energy Efficiency:** APA provides very modest funding for energy efficiency through allowance allocations to natural gas utilities and to state-supervised programs. In order to build on the northeast’s successful Regional Greenhouse Gas Initiative (RGGI) model (in which over half of allowance value in the electric sector is dedicated to efficiency) and to keep consumer costs down, efficiency allocations should be increased, particularly for electric consumers. See *ENE’s Energy Efficiency in APA Summary and Recommendations*: <http://env-ne.org/resources/open/p/id/1060>
- **Impacts on State Programs and Regulators:** APA would permanently preempt RGGI and other state-level cap and trade programs, while preserving state authority to regulate GHGs through other means. In order to ameliorate the potential adverse funding impacts of preemption on existing state-supervised efficiency and clean energy programs, federal legislation should allocate allowances to states and require minimum efficiency funding levels in utility allocations. It should also ensure that state utility commissioners have authority to support effective state efficiency programs, thus allowing states to continue funding energy saving programs in the absence of RGGI

auction revenue. See ENE's State GHG Programs and the APA Summary and Recommendations: <http://env-ne.org/resources/open/p/id/1061>

- **Offsets:** APA creates both an international and a domestic carbon offsets market as part of the cap and trade program. This will help reduce emissions, provide an incentive for landowners to enter the low carbon economy, and provide a major cost-containment mechanism for cap and trade. It is essential that the offset program is limited in size and standards are rigorously crafted, or real emissions reductions will not reliably occur and the emissions cap will be undermined, especially given the large number of offsets allowed. See ENE's Domestic Offsets and Carbon Conservation Program in APA Summary and Recommendations: <http://env-ne.org/resources/open/p/id/1062>
- **Forest Carbon:** Project types that have carbon value but cannot meet offset requirements should be moved to the carbon conservation program and receive appropriate funding through this alternative mechanism. This would allow participation of smaller landowners who may have difficulty with offset transaction costs and has the potential to deliver large emissions reductions outside of the cap. See ENE's Domestic Offsets and Carbon Conservation Program in APA Summary and Recommendations: <http://env-ne.org/resources/open/p/id/1062>

ENE cited the eastern and mid-Atlantic region's landmark mandatory GHG cap and trade system, the Regional Greenhouse Gas Initiative (RGGI), as evidence that a federal program can work.

"RGGI was the first mandatory GHG cap and trade program in the country, and the model is working, demonstrating that a carefully designed cap and trade program can be both affordable and effective," according to Derek Murrow, Climate & Energy Policy Director at ENE.

Since the launch of RGGI less than two years ago, the program has raised over \$582 million for the 10 member states, with \$320 million of that dedicated to helping consumers reduce energy consumption and save money on their bills. Many of ENE's top recommendations for federal policy are based on the RGGI precedent, including funding efficiency through allowance allocations, robust market monitoring, and rigorous offset standards.

"The APA represents an important step in tackling the complex challenge of developing comprehensive policy to guide the country's energy and climate future. The show of significant support from industry, environmental groups, and the national security establishment at the bill's release indicates that our nation is ready to move forward with this issue," said Sosland.

"We look forward to continuing to work with Congressional leaders to advance a strong final bill that will embrace priority strategies for reducing our dependence on expensive and polluting fossil fuels and growing a strong, clean energy economy," Sosland said.

ENE does not endorse the portions of APA related to nuclear power and offshore oil and gas exploration.

See the documents released today and more on [Federal Cap and Trade Policy](#) at ENE's Web site:

- Emissions and Allowance Allocations Overview and Charts: <http://env-ne.org/resources/open/p/id/1059>
- Energy Efficiency in APA: <http://env-ne.org/resources/open/p/id/1060>
- State GHG Programs and the APA: <http://env-ne.org/resources/open/p/id/1061>
- Domestic Offsets and Carbon Conservation Program in APA: <http://env-ne.org/resources/open/p/id/1062>

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Environment Northeast (ENE) is a non-profit organization that researches and advocates innovative policies that tackle our environmental challenges while promoting sustainable economies. ENE is at the forefront of state and regional efforts to combat global warming with solutions that promote clean energy, clean air and healthy forests.

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