

American Clean Energy and Security Act (ACES)

Position Statement of ENE on H.R. 2454



The *American Clean Energy and Security Act (ACES)*, H.R. 2454, passed by the U.S. House of Representatives (also known as the Waxman-Markey bill), puts the United States on the path to comprehensive and long overdue reform of U.S. climate and energy policy. ACES builds the foundation of a sustainable and efficient economy capable of meeting our nation's energy needs while creating millions of jobs in the energy efficiency and clean energy fields and moving the country toward a more independent and secure energy future.

ACES' comprehensive, national cap and trade program will steer energy system investments away from the dirty and inefficient technologies of the past and toward job-creating clean energy technologies of the future. Reducing our dependence on fossil fuels will move the country toward energy independence and energy security anchored in domestic, renewable energy sources.

Considering the importance of U.S. leadership on climate change and the urgency of controlling U.S. carbon pollution, ENE strongly supports the passage of ACES. ENE is particularly supportive of the following aspects of the Act:

- The creation of a comprehensive, national carbon cap and trade program that will reduce carbon emissions 83% by 2050. This cap and trade program will help level the playing field by making dirty energy sources less competitive and clean sources more so, using a market-based system that delivers emissions reductions at lowest cost.
- The use of energy efficiency investments and improved efficiency standards as one of the primary tools to help consumers control their energy costs. ENE estimates that ACES will generate \$10 to \$20 billion annually for state and utility energy efficiency programs that will save American consumers \$3 for every \$1 invested. Additional building, vehicle, and equipment efficiency standards and incentives in the bill will achieve further savings.
- Investment in renewable energy technologies which, along with efficiency investments, are necessary to achieve the new emissions reduction targets.

ACES' goals – energy independence, job creation, the promotion of clean energy and significant reductions in greenhouse gas emissions – can be further strengthened as the bill moves through the legislative process. Key improvements include:

- **Target Investments in Efficiency for Electricity Consumers** – The bill funds efficiency programs for natural gas, oil and propane customers through allowance allocations. Similar funding for electric consumers should be guaranteed to optimize this lowest cost, cleanest energy resource that reduces energy bills and emissions.
 - One of the strongest components of ACES requires that one-half of allowances dedicated for home heating oil, propane, and kerosene consumers and one-third of allowances for natural gas consumers be used for cost-effective efficiency programs to reduce consumers' bills.
 - The same cost-saving opportunity exists for electric consumers and the bill should require that at least one-third of allowances for electric consumers be dedicated to cost-effective electric efficiency programs.

- **Maximize Consumer Benefits by Auctioning Allowances** – Auctioning allowances, rather than distributing them for free to emitters, produces clearer market signals and creates greater value for consumers. That is why the 10 states in the Regional Greenhouse Gas Initiative chose to auction 90% of the RGGI allowances, creating auction markets that are already distributing millions of dollars of revenue to energy efficiency and public benefit programs. Accordingly, the percentage of allowances in ACES that are auctioned should be increased, with faster phase-outs of any remaining allocations to polluters.
- **Reduce the Large Quantity of Offsets** – H.R. 2454 allows for offsets to satisfy a significant portion of the reductions until 2026. The allowable quantity of offsets (projects that reduce greenhouse gas emissions outside of regulated sectors) should be reduced to no more than one-half of the anticipated reduction in emissions (business as usual vs. the cap level) to ensure that the cap drives clean energy investments in the near-term and that emissions reductions are not achieved only in other sectors or countries.
- **Ensure Offset Quality** – Special attention should be paid to the quality and oversight of offsets to ensure that offsets are equal to emissions reductions achieved within the cap. To ensure consistency and uniform quality, EPA should have an oversight role in the development of the entire offset mechanism.
- **Biofuels Emissions Integrity** – Protections should be added to ensure that increased consumption of biofuels does not lead to overall increases in emissions or loss of rain forests, and scientific analysis of the full carbon impact of biofuel production should be respected.
- **Forest Carbon Conservation** – The bill should include new policies and funding to ensure that carbon sequestered in U.S. forests increases or is not lost in the coming decades. Funding for supplemental emissions reductions in the agriculture sector should be expanded to more clearly allow for carbon enhancing forestry activities and forest conservation.



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