



House Action Reports

Edition: Fact Sheet

No. 111-12/June 25, 2009

The Climate Change & Energy Bill

(Corrected Version)

This Fact Sheet deals with HR 2454, American Clean Energy and Security Act, which the House may take up on Friday, June 26.

The bill establishes a "cap and trade" system in which emissions of greenhouse gasses would be capped overall and allowances for such emissions either given away to polluters or sold. Initially, more than three-quarters of the allowances would be distributed free of charge, but by 2030 most of the allowances would have to be purchased — leading Republican critics to label it the "cap and tax" program. Polluters could buy additional allowances from other companies, or buy "offsets" through programs that reduce greenhouse gasses through reforestation or other means. House Republicans have claimed that the cap and trade program would cost the average household about \$3,000 a year in higher energy and product prices, but the Congressional Budget Office projects that the bill would cost the average U.S. household \$175 a year by 2020.

The measure requires electric utilities to produce 6% of their power from renewable sources by 2012, and 20% by 2020. It sets new energy efficiency and water use standards for buildings and consumer products, and doubles the current loan guarantee program to help American carmakers develop better batteries and plug-in electric cars.

Contents

I. Background & Summary	2
II. Emissions Allowances & "Cap & Trade"	6
III. Alternative Energy Production & Transmission	19
IV. Energy Efficiency Provisions	24
V. Arguments For & Against	30

Section I

Background & Summary

Although this year's climate change/energy bill has been the product of intense negotiations — almost exclusively among House Democrats — since May, significant legislation addressing greenhouse gas emissions and climate change has been a priority of legislators with environmentalist leanings for over a decade.

Concern over greenhouse gas emissions and the effects of such emissions on climate change has grown substantially over the past decade. Two main ideas have emerged as ways of limiting greenhouse gases — a tax on carbon emissions, and a "cap and trade" system that would cap overall greenhouse gas emissions, but allow polluters to buy and sell credits or allowances that would allow them to emit a certain amount of greenhouse gases. Cap and trade is the approach that has been followed in the European Union for the past four years.

House Democratic leaders have experienced substantial difficulties in moving this cap and trade bill through committees and to the floor. Numerous compromises with committee chairmen and other members have been made, but the most difficult sticking point was a disagreement with members from rural districts over whether the Agriculture Department or EPA should have authority over emissions offset programs in rural and agricultural areas. An agreement was reached this week that gives the authority to the Agriculture Department.

Action in the 110th Congress

Congress last enacted an omnibus energy bill in 2007 — the Energy Independence and Security Act (PL 110-140). That law raised automobile fuel economy standards and mandated new energy efficiency standards, but did not directly address climate change and greenhouse gas emissions.

In 2008, Sens. Joseph I. Lieberman, I-Conn., and John Warner, R-Va., sponsored a climate change bill (S 2191) that contained cap and trade provisions that was marked up in committee. The bill was never formally considered by the full Senate, however, because that bill's supporters could not garner enough support and votes for the bill to overcome a filibuster. Similar legislation was introduced in the House, but was never considered by any committee or the full House.

Recent Developments

Congressional Democratic leaders and President Obama have established a major priority of enacting climate change legislation that includes a cap and trade program designed to gradually reduce greenhouse gas emissions. House Democratic leaders, with the direct involvement of Speaker Nancy Pelosi, D-Calif., have taken the lead over Senate Democratic leaders on the issue, and have been pushing hard to move legislation through the House quickly, recognizing the president's goal of signing a cap and trade bill before participating in international climate change treaty negotiations scheduled to take place in Copenhagen, Denmark, this December.

House Negotiations

Cap and trade legislation has changed significantly since discussion drafts were first circulated several months ago. Given that House Republicans have remained nearly unified in their opposition to the bill since first discussing it, Democratic leaders have faced significant obstacles in developing a bill that would garner enough votes only from Democratic members, both in committee and in the full House.

In order to get enough votes in the Energy and Commerce Committee to report the bill, it had to be changed to assuage the concerns of members who represent districts that rely heavily on power generation from fossil fuels and other industries that rely on fossil fuels. Major changes that were made to address these members' concerns include providing more emissions allowances to industries that rely on coal and oil, and reducing the amount of electricity that utilities would have to produce from renewable energy sources.

Agricultural Concerns

The latest and most difficult point of contention that has prevented the bill from being considered by the full House is very important to members who represent rural and agricultural districts. Such members have stated their strong desire for the Agricultural Department — rather than EPA — to have authority over emissions offset projects in rural areas. The administration and Democratic leaders favored giving EPA such authority, but ultimately worked out an agreement giving the Agriculture Department jurisdiction over these programs, which would include tree planting and soil tillage changes.

Cost Controversy

For months, Congressional Republicans have contended that the cap and trade bill would cost American households an average of more than \$3,000 a year in higher energy and product costs, causing them to rename the bill the "cap and tax" bill. This calculation

was based on a study by an MIT professor who, however, has said Republicans had grossly distorted his study and exaggerated the bottom-line cost.

A major factor in propelling the bill to the House floor was a cost estimate released this week by the Congressional Budget Office (CBO), which said the bill would result in costs averaging \$175 a year per household by 2020. The CBO estimate dramatically changed the bill's prospects in Congress.

Support & Opposition

Because the final version of the bill has only recently emerged — and may yet to be further altered to address concerns of Democratic members — formal positions on the bill by many outside groups have not been announced. Press reports indicate, however, that the current bill is supported by environmental groups, such as the Sierra Club and League of Conservation Voters, which has stated that it will not support the re-election campaign of any member of the House who votes against the bill. The bill is opposed by some associations representing energy companies, such as the American Petroleum Institute, and some farm groups, such as the American Farm Bureau. Other groups, such as the National Rural Electric Cooperative Association, have major concerns with the bill but are not actively trying to prevent House passage.

Summary of HR 2454

HR 2454 establishes a "cap and trade" system, in which greenhouse gas emissions are limited, and emissions allowances that allow their holders to emit a certain amount of greenhouse gases are auctioned by the EPA and can be bought or sold among polluters. The bill allows polluters of certain greenhouse gases to emit specified amounts of such gases, based on the number of allowances that they receive. Under the bill, more than three-quarters of emission allowances would be provided to polluters free of charge, based on formulas, when the cap and trade program would begin in 2012. Remaining allowances would be sold at auction. By 2030, most of the allowances would be sold to polluters by EPA.

Allowance holders could emit more greenhouse gases than allowed under their original credits through the purchase of additional allowances, or the purchase of offsets through outside programs designed to reduce overall greenhouse gas emissions, or "borrow" against allowances that they would receive in future years. Entities that do not need the number of allowances that they receive could sell them or "bank" them for use in later years.

The measure also distributes a certain number of free allowances, and contains other programs designed to assist energy consumers, particularly low-income consumers, in paying higher utility bills caused by higher energy prices that the cap and trade program would produce. The bill sets new emissions standards for sources of greenhouse gases not

covered by the cap and trade program limitations.

Energy Provisions

The bill requires that at least 6% of energy produced by electric utilities come from renewable resources and energy savings by 2012, with that requirement rising to 20% by 2020. The bill also creates new programs designed to promote carbon capture and sequestration, and sets new emissions standards for coal-fired power plants. The bill also establishes and reauthorizes several programs regarding electrical transmission lines, including programs promoting development of smart grid technologies, or generally modernizing electricity infrastructure to respond to changing conditions. The measure doubles — to \$50 billion — the loan guarantor program to help automobile manufacturers develop better batteries and plug-in electric vehicles.

The bill sets new energy efficiency and water use standards for buildings, and consumer and commercial products. It also establishes several EPA and Energy Department programs designed to reduce emissions and increase energy efficiency.

CBO Cost Estimate

The Congressional Budget Office (CBO) and the Joint Committee on Taxation have estimated that the bill would increase federal revenues by about \$846 billion, through 2019, and increase direct spending by about \$821 billion during the same period. Most of these revenues and expenses would be derived from the cap and trade program, although the bill would not use the federal tax code to collect revenue.

CBO estimates that the costs borne by consumers for higher and product energy prices stemming from the costs of emissions allowances would be an average of \$175 per household by 2020.

References

No committees have acted on the bill, but the Energy and Commerce Committee reported a similar bill (HR 2454) with additional and minority views by a vote of 33 to 25 (H Rept 111-137, Part 1).

See CQ Weekly, pp. 1456, 1389, 1370, 1321, 1306, 1262 & 1217.

Section II

Emissions Allowances & "Cap & Trade"

This section deals with the provisions of HR 2454, American Clean Energy and Security Act, that deal with greenhouse gas emissions reductions, including the bill's "cap and trade" program that allows certain greenhouse gas polluters to buy, sell, and trade allowances that permit companies to emit greenhouse gasses, such as carbon dioxide. Under the program, most allowances would be distributed by the Environmental Protection Agency (EPA) to polluters free of charge in the first years of the program, but a rising percentage of allowances would be sold at auction in each subsequent year of the program, from 2012 through 2050.

Emissions Reduction Goals

The bill sets goals for reducing greenhouse gas emissions in several increments through 2050, and uses U.S. emissions levels in 2005 as a baseline. The bill defines U.S. emissions levels in 2005 as emissions that the bill's provisions would have "capped" if the bill had the force of law in 2005. The measure states that emissions in the United States should be reduced to 97% of 2005 levels by 2012, 80% by 2020, 58% by 2030, and 17% by 2050.

Supplemental Emissions Reductions

The bill requires EPA to set aside a "small percentage" of emissions allowance to use to provide incentives for projects in other countries that are designed to reduce emissions by reducing deforestation.

EPA Climate Change Reports to Congress

The bill requires EPA to submit reports to Congress every four years, with the first report due no later than July 1, 2013, that include analyses of the latest scientific advancements relevant to climate change, capacity to monitor and verify greenhouse gas reductions, and international and domestic progress in reducing greenhouse gas emissions. The reports would also have to include recommendations on how to improve scientific understanding of the effects of climate change, improve monitoring and verification of climate change, and what additional reductions in emissions might be needed to avoid climate change.

National Academy of Sciences Reports

The bill requires the National Academy of Sciences to submit reports to Congress every four years that evaluate EPA reports. The reports would also have to describe advancements in "clean energy" technologies, and include recommendations on how to improve scientific understanding of the effects of climate change, improve monitoring

and verification of climate change, and what additional reductions in emissions might be needed to avoid climate change.

Presidential Response to Reports

The bill requires — if EPA and National Academy of Sciences reports find that additional reductions in emissions might be needed to avoid climate change — that the president submit recommendations to Congress on how to achieve such additional reductions, including proposing legislation.

Greenhouse Gas Designations

The bill specifically designates carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons emitted as chemical industrial by-products, perfluorocarbons, nitrogen trifluoride, and any other anthropogenic gas that EPA designates as a greenhouse gas, as greenhouse gases.

The measure prohibits manufacturing or emitting "significant" quantities of flourinated gases that are produced as by-products of production of other flourinated gases except under certain circumstances. (Flourinated gases are used in industrial processes, often in place of other substances that are believed to contribute to the depletion of the ozone layer.)

Emissions would be allowed if the flourinated gas in question is listed as greenhouse gases under the bill, one metric ton of the gas has the same or less effect on climate change over 100 years as one metric ton of carbon dioxide, or the EPA has not begun to review a completed application to emit the gas after 90 days.

EPA Rules

The measure directs EPA to issue rules stating the following:

- The amount of carbon dioxide that has the same effect on climate change as various of other greenhouse gases;
- Whether one metric ton of any anthropogenic gas that has the same or greater effect on climate change over 100 years as one metric ton of carbon dioxide;
- Designations of anthropogenic gases that are determined to have the same or greater effect on climate change over 100 years as one metric ton of carbon dioxide as greenhouse gases; and

- Regulations on the use of anthropogenic gases that EPA determines have the same or greater effect on climate change over 100 years as one metric ton of carbon dioxide.

Greenhouse Gas Designation Petitions

The bill permits any individual to petition EPA to designate, as a greenhouse gas, any anthropogenic gas that, in a quantity of one metric ton, has the same or greater effect on climate change over 100 years as one metric ton of carbon dioxide.

The measure requires petitioners to "provide sufficient data, " as determined by EPA, demonstrating that the gases in question are likely to be designated as greenhouse gases and are likely to be produced, imported, or emitted in the United States.

EPA would be required to inform petitioners whether their petitions are complete within 90 days of receiving them, and issue rulings on such petitions within two years of receiving complete petitions. The measure does not allow the EPA to deny petitions solely because of inadequate time for review.

Designations of the Effects of Greenhouse Gases

The bill specifically designates the effect of each listed greenhouse gas on climate change. It uses carbon dioxide as a baseline with which other gases are compared.

For example, the bill declares that the effect on climate change of one metric ton of methane is equivalent to the effect on climate change of 25 metric tons of carbon dioxide, one metric ton of hydrofluorocarbon 152a has the same effect as 124 metric tons of carbon dioxide, and one metric ton of nitrous oxide has the same effect as 298 metric tons of carbon dioxide.

The bill requires EPA to review and, if appropriate, revise the carbon dioxide equivalent values for each listed greenhouse gas. The measure requires EPA, when completing such reviews, to take into account United Nations (U.N.) Intergovernmental Panel on Climate Change reports, or reports of a subsequent agency designated by the U.N. The first review would have to be completed by Feb. 1, 2017, and subsequent reviews could be completed at EPA's discretion, but at least every five years. Reviews could further be completed less often if they conflict with 1992 U.S. Framework Convention on Climate Change reviews, but in no case could be completed more than 10 years apart.

Greenhouse Gas Registry

The bill requires EPA to establish a federal greenhouse gas registry and reporting system modeled on the Climate Registry, a greenhouse gas monitoring system managed by 41 states, all Canadian provinces and territories except Nunavut, and several northern Mexican states.

Emissions Allowance Program Rules

The bill requires EPA to set annual greenhouse gas emissions limits or "caps," beginning in 2012. The limits are based on metric tons of carbon dioxide emissions, and one allowance would be comprised of greenhouse gas emissions equivalent to one metric ton of carbon dioxide. Emissions of other greenhouse gases would be permitted under the limits, but would have to take into account the effect other gases have on climate change relative to carbon dioxide. For example, under the bill, emitting one metric ton of hydrofluorocarbon 152a would count against 124 metric tons of the greenhouse gas emissions limit, because the bill specifies that one metric ton hydrofluorocarbon 152a has the same effect on climate change as 124 metric tons of carbon dioxide.

The measure sets emissions limits at 4.6 million metric tons in 2012, declining each year until the cap is 1 million tons in 2050 and each year thereafter.

The bill permits EPA to adjust the emissions allowances specified by the bill if the agency determines, after receiving public input, that U.S. greenhouse gas emissions in 2005 were not 7.2 million metric tons of carbon dioxide or equivalent amounts of other greenhouse gases that have the same effect on climate change.

Effective Dates for Certain Types of Polluters

The bill's emissions limits would become effective on Jan. 1, 2012, for entities that generate electricity, petroleum refiners, petroleum and other liquid fossil fuel importers, fluorinated gas manufacturers, and entities that emit nitrogen trifluoride. Emissions limits for other industrial polluters would become effective as of 2014. Limits for local natural gas distributor companies would become effective as of 2016.

Penalties for Non-Compliance

The measure stipulates that each ton of carbon dioxide equivalent emissions over entities' limits would be treated as separate violations. Non-compliance would subject violators to fines totaling the number of tons of emissions over their limits multiplied by the price of a ton of emissions at auction in the previous year. Fines would be paid to EPA, following rules that EPA would have to issue within two years of the bill's

enactment. The bill further stipulates that EPA fines established under the bill would not diminish liability for penalties assessed for violations of other laws.

Emission Allowance Trading

The bill permits emissions allowance holders to hold, sell, exchange or trade such allowances without restriction. The bill also permits holders to request that the EPA retire their allowances. Any allowance transfer or sale would have to be recorded by EPA before it is valid. The measure further requires EPA to register and track allowance trading, and make such information publicly available.

Saving & Borrowing Against Future Emissions Allowances

The bill stipulates that emissions allowances would not automatically expire, and could be used in the year in which they were obtained or any subsequent year — allowing polluters to "save" unused emissions allowances for use in the future. The bill permits EPA, however, to retire allowances upon request by the allowance holders, or in cases in which the EPA determines that allowance must expire to preserve "authenticity and integrity" of the allowance trading system.

The measure permits polluters to use emissions allowances that it would receive one year later — i.e., polluters could "borrow" allowances that they would receive in future years so that they could pollute more in the present without penalty. Emission allowances could be borrowed from one year without fees or "interest." Polluters would have to pay interest on allowance that they borrow from two to six years in the future. Fees would be set by the EPA. When borrowing against emissions allowances more than one year in the further, polluters would be limited to borrowing to cover no more than 15% of their current year emissions.

'Strategic Reserve' of Emissions Allowances

The bill requires EPA, within two years of the bill's enactment, to establish a "strategic reserve" of emissions allowances, consisting of specified percentages of allowances distributed each year. Each year from 2012 through 2019, the reserve would consist of 1% of allowances. Each year from 2020 through 2029, the reserve would consist of 2% of allowances. Each year from 2030 through 2050, the reserve would consist of 3% of allowances. All emissions not distributed or sold at auction in any year would have to be transferred to the reserve. The EPA, however, would have to attempt to sell all emissions in the reserve at auction, and use the proceeds to buy international emissions offset credits, particularly those designed to decrease deforestation. Offset credits that the EPA buys from the proceeds of selling allowances from the reserve could not be transferred or resold.

Emissions Offsets Program

The bill requires EPA, within two years of the bill's enactment and in consultation with the Agriculture Department and appropriate federal agencies, to establish a program that allows for polluters to purchase or create offsets to their emissions.

For example, a company that exceeded its emissions allowance limit could avoid being penalized by procuring offsets to cover the emissions over its limit.

The measure requires EPA, taking into account the recommendations of the Offsets Integrity Advisory Board, to create a list of projects that would count as offsets to emissions. EPA would also be required to periodically update the list.

The version of the bill expected to be considered by the House gives the Agriculture Department —rather than EPA —authority over offset projects in rural and agricultural areas.

In creating the list of approved offset projects, the measure requires the EPA to consider carbon sequestration methods on agricultural lands, grasslands, rangelands, and forested lands, including the following:

- Soil tillage methods;
- Winter cover cropping, crop rotation, and other means of increasing biomass levels in soil, other than leaving fields fallow for periods of time after harvesting;
- Converting croplands to grasslands or rangelands, provided that such lands were not forested within 10 years of the projects initiation;
- Reducing nitrogen use or using nitrogen more efficiently (nitrogen is a common ingredient in fertilizers);
- Reducing the frequency and duration of rice paddy flooding;
- Changes in livestock feed and other livestock management practices that are designed to reduce livestock "emissions;"

- Planting forests on lands not considered forests as of the beginning of 2007;
- Changes in timber production and harvesting designed to capture carbon emissions;
- Reduced deforestation;
- Preservation of peatlands or wetlands;
- Development of technologies designed to increase the carbon capture potential of forested lands;
- Reducing carbon emissions from organic soils;
- Reduction in emissions from manure and effluent;
- Aeration of fields with waste products;
- Biogas capture and combustion;

In addition, EPA would be required to consider the following:

- Planting trees in urban areas;
- Recycling and other waste minimization;
- Methane collection and combustion projects at mines, landfills, and natural gas plants;
- Emissions reductions at water treatment plants;
- Capturing and geologically sequestering uncapped greenhouse gas emissions with or without enhanced oil or methane recovery in active or depleted oil, carbon dioxide, or natural gas reservoirs; and
- Capturing and destroying, or avoiding greenhouse gas emissions from industrial sources.

Requirements for Offset Projects

The bill requires EPA to establish a standardized process for determining project eligibility, including emissions mitigation baselines, measuring reductions in emissions, and accounting for unwanted by-products.

The bill requires EPA to add additional project types, along with their associated methodologies, to the list as quickly as possible. The measure requires EPA, in developing new project types, to consider existing programs, such as Natural Gas STAR, Climate Leaders, and the Landfill Methane Outreach Program.

For example, EPA is currently working with the Agriculture and Energy departments on the AgSTAR program, which is designed to develop methods of sequestering methane from manure, including manure spread as fertilizer and composting manure, and is managing the Climate Leaders program, which is designed to improve forest management and encourage reforestation.

Offsets Integrity Advisory Board

The bill requires EPA to establish an independent Offsets Integrity Advisory Board. The advisory board is charged with providing recommendations to the EPA on the types of offset project types that should be listed by EPA as eligible; potential levels of scientific uncertainty associated with certain offset types; appropriate quantification or other methodologies; and other areas of the offsets and deforestation provisions in the draft. The board would also be charged with conducting a regular review of all relevant areas. Members of the nine-member board would be appointed by the EPA administrator and would have to be "qualified by education, training, and experience."

Disposition of Emissions Allowances

The bill specifies the percentage of emissions allowances that would be distributed free of charge to certain entities in certain industries. The rest of the allowances would be sold at auction, and could be later resold or traded. In the program's initial years, beginning in 2012, more than three-quarters of allowance would be distributed free of charge. By 2030, most allowances would be sold at auction.

Emissions Allowance Auction Regulations

The bill requires EPA, within one year of the bill's enactment, to promulgate regulations governing the disposition of emissions allowances at auction. The bill stipulates some of the regulations as follows:

- Auctions must be scheduled at regular intervals four times per year, with the first auction being held no later than March 31, 2011;
- Auctions would have to follow a single-round, sealed-bid, uniform price format;
- Auctions would have to be open to any individual, provided that EPA has confirmed each individual's ability to pay;
- Bidders must disclose all parties sponsoring their bids;
- Individual bidders would be limited to purchasing up to 5% of allowances sold at any quarterly auction;
- EPA would have to publish information about winning bidders in a "timely manner" following each auction;
- The minimum reserve price for each allowance at auction would have to be \$10, in 2009 dollars, and the minimum reserve price in subsequent years would be equal to the reserve price for the previous year increased by 5%; and
- EPA would be allowed to enter into agreements with other federal entities to administer auctions.

The bill permits EPA, after consulting with other appropriate federal entities, to alter these rules if it determines that such alterations would make the auction program more "effective," and EPA would be permitted to add new rules as it sees fit.

The measure permits EPA to sell allowances held by a third party, but specifies that EPA could not be held liable for not securing the highest possible price for the allowances.

Derivatives Market Regulatory Authority

The bill creates a new energy derivatives market by allowing emissions allowances to be sold and traded. Under the measure, the Commodity Futures Trading Commission would have regulatory authority over allowance derivative markets, and the measure

mandates increased oversight over energy commodity derivatives and credit default swaps, as they would apply to the selling and trading of emissions allowances and offsets.

Supplemental Reductions & Reduced Deforestation

The measure allocates — for emissions reductions designed to be achieved through reduced deforestation — 5% of allowances in each year from 2012 through 2025, 3% of allowance in each year from 2026 through 2030, and 2% of allowances in each year from 2031 through 2050. The bill permits EPA to adjust these percentages to achieve its goals for reducing emissions by reducing deforestation. Any allowances not distributed in any year would carry over to the next year and would count toward the percentage of allowances permitted for reduced deforestation in that year.

Electricity Distributor Allowances

The bill allocates to local electricity distribution companies 43.75% of allowances in 2012 and 2013, 38.89% of allowances in 2014 and 2015, 35% of allowances in each year from 2016 through 2025, 28% of allowances in 2026, 21% of allowances in 2027, 14% of allowances in 2028, and 7% of allowances in 2029.

The measure allocates to local electricity distribution companies that administer energy efficiency programs, to purchase electricity that has been produced from renewable energy sources, and assist low-income consumers in paying electric utility bills, 0.5% of allowance in each year from 2012 through 2025, 0.4% of allowances in 2026, 0.3% of allowances in 2027, 0.2% in 2028, and 0.1% in 2029.

Natural Gas Distributor Allowances

The bill allocates to local natural gas distribution companies 9% of allowances in each year from 2016 through 2025, 7.2% of allowances in 2026, 5.4% of allowances in 2027, 3.6% of allowances in 2028, and 1.8% of allowances in 2029.

Heating Oil & Propane Distributor Allowances

The measure allocates to home heating oil and propane distribution companies 1.875% of allowances in 2012 and 2013, 1.67% of allowances in 2014 and 2015, 1.5% of allowances in each year from 2016 through 2025, 1.2% of allowances in 2026, 0.9% of allowances in 2027, 0.6% of allowances in 2028, and 0.3% of allowances in 2029.

Consumer Assistance

The allowances for local electricity, natural gas, heating oil, and propane distributors are designed to mitigate increased electric and other utility bills that would

result from increased costs associated with electricity production and distribution caused by emissions limitations and the costs of emissions allowances.

The bill requires EPA to auction 15% of allowances each year beginning in 2012 and use the proceeds for programs designed to assist low-income consumers in paying utility bills. States would administer the distribution of assistance to such consumers.

The bill also stipulates that tax credits would be distributed to low-income households if EPA finds that the bill has caused their utility bills to increase and their purchasing power to decrease.

Allowances for 'Vulnerable' Industries

The bill allocates to industries that use significant amounts of energy and are subject to significant international competition 2% of allowances in 2012 and 2013, up to 15% of allowances in 2014, from 2015 through 2026, and EPA would determine the percentage of allowances each based on the allowances distributed in the preceding years.

Small Petroleum Refiners

The bill provides, for small petroleum refiners, 6.2% of allowances in 2012 and 2013, 5.4% of allowance in 2014 and 2015, and 4.9% of allowances in each year from 2016 through 2024.

Carbon Capture

The bill provides allowances to companies that burn coal or petroleum coke that are also developing carbon capture and sequestration technologies. The bill provides these companies 1.75% of allowances each year from 2014 through 2017, 4.75% of allowances in 2018 and 2019, and 5% of allowances in each year from 2020 through 2050.

Energy Efficiency & Renewable Energy

The bill allocates to companies investing in renewable energy production 9.5% of allowances in each year from 2012 through 2015, 6.5% of allowances in 2016 and 2017, 5.5% of allowances in each year from 2018 through 2021, 1% of allowances in each year from 2022 through 2025, and 4.5% of allowances in each year from 2026 through 2050.

Energy Innovation Hubs

The bill allocates 0.45% of allowances in each year from 2012 through 2050 to Energy Innovation Hubs, which are small Energy Department laboratories.

Advanced Research Project Agency-Energy

The bill allocates 1.05% of allowances in each year from 2012 through 2050 to the Advanced Research Project Agency-Energy, an Energy Department research agency.

Clean Vehicle Technology

The bill allocates to entities investing in the development of clean vehicle technology, 3% of allowances in each year from 2012 through 2017, and 1% of allowances from each year from 2018 through 2025.

Other Greenhouse Gas Emission Standards

The bill bars permit states, between 2012 and 2017, from adopting their own cap and trade systems, but allows them to otherwise limit emissions from cars, industrial operations and other sources.

The measure requires EPA to use its existing authority to set greenhouse gas emission standards for pollution sources that are not subject to the annual emissions limits under the bill.

Transportation Emissions

The bill requires EPA, no later than 2012, to set emissions standards for heavy-duty non-road engines, including large construction equipment, non-road heavy trucks, marine vessel engines, and aircraft engines. The measure permits EPA to revise such standards, and allows engine manufacturers to bank, borrow against, sell, or trade emissions offsets in a similar manner as entities covered under the cap and trade program.

Reports to Congress

The bill also requires EPA to study potential regulation of flourinated gases that are not hydrofluorocarbons. The bill permits EPA to issue rules incorporating such gases under the bill's regulations if it determines that doing so would be the best method of regulating such gases.

The measure requires EPA to submit a report to Congress on existing efforts to reduce domestic black carbon pollution and, if necessary, to use existing authority to set stricter black carbon emissions standards.

CBO Cost Estimate

The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) have estimated that the bill would increase federal revenues by about \$846 billion, and increase direct spending by about \$821 billion. CBO and JCT estimate these

revenues and expenses would result in a reduction in the federal deficit of about \$24 billion over the period of FY 2010 through FY 2019.

The bulk of these revenues and expenses are derived from the cap and trade program, which is essentially a tax on greenhouse gas emissions, but does not use the federal tax code to collect revenue. Rather, revenues would be mostly collected through auctioning off emissions allowances, which allow purchasers to emit greenhouse gases. Although most allowances would be distributed free of charge when the program would begin in 2012, in later years through 2050 most allowances would be auctioned, and the price of allowances would increase each year.

Additionally, CBO estimates that the costs borne by consumers for higher energy prices stemming from the costs of emissions allowances would be \$175 per household on average through 2020. CBO further estimates the lowest quintile of household incomes would actually realize gains as a result of programs in the bill designed to mitigate consumer utility costs, particularly for low-income consumers.

Section III

Alternative Energy Production & Transmission

This section summarizes the provisions of HR 2454, that deal with development of alternative energy sources and cleaner energy production technologies, and the renewable energy use mandate. It further deals with the bill's provisions concerning "smart grid" electricity technology development and electrical transmission planning.

Renewable Energy Mandate

The bill requires energy production companies — which the bill defines as electric utilities that sell more than 4 million megawatt hours (MWh) of electricity to consumers — to meet a certain percentage of their load with electricity generated from renewable resources and electricity savings. The bill requires that 6% of energy produced come from combined renewable electricity and electricity savings by 2012. The measure increases the standard to 20% by 2020.

Up to one quarter of the 20% requirement could be met with electricity savings (i.e., through energy efficiency technologies). The bill permits the Federal Energy Regulatory Commission (FERC), at the request of any state's governor, to increase the proportion of the requirement that can be met with electricity savings to up to 40% for electric suppliers located in the applicable state. This action would reduce the renewable requirement for such utilities to a minimum of 12% by 2020, with the remaining 8% of the combined target satisfied through electricity savings.

The bill defines renewable energy resources to include wind, biomass, solar, geothermal, hydropower, marine and hydrokinetic renewable energy, and biogas and biofuels derived exclusively from biomass. Other qualifying energy resources include landfill gas, wastewater treatment gas, coal mine methane, and technologies that generate electricity from burning waste. An electric supplier's combined requirement would be reduced in proportion to any portion of its electricity sales that is generated from certain existing hydroelectric facilities, new nuclear generating units, and fossil-fueled units that capture and geologically sequester greenhouse gas emissions.

Electric suppliers that use efficiency for a portion of their compliance would be required to demonstrate their electricity savings relative to baseline energy usage projections through efficiency measures, including savings achieved through reductions in consumer electricity consumption that could be attributed to new energy efficiency technologies, such as equipment or facility upgrades, combined heat and power savings, energy recycling (waste heat recovery), and use of fuel cells. Electric suppliers could meet the efficiency standards either by achieving electricity savings directly or through procurement of savings achieved within the same state by other electric utility companies.

Carbon Capture & Sequestration

The bill sets new requirements and creates new programs designed to promote carbon capture and sequestration. Carbon sequestration refers to capturing carbon dioxide — which has been linked to climate change — from large stationary polluters, such as coal-fired electric power plants, and then storing the gas underground, in the ocean or vegetation in order to prevent its release into the atmosphere. The intent is that long-term storage will eventually reduce levels of carbon dioxide and thus reverse the trend of higher global temperatures.

Although technology exists to capture carbon dioxide, storage still is in experimental stages and has not been implemented on a large scale. The Energy Department currently operates a Carbon Sequestration Program that focuses on storing carbon dioxide in underground repositories, injecting the gas deep into the ocean or increasing ocean absorption of carbon dioxide, increasing the amount of carbon dioxide that is absorbed by plant life, and genetic engineering of micro-organisms that could release other gases to offset the effects of carbon dioxide.

New Carbon Sequestration Regulations

The bill requires EPA to establish a standard method for certifying and permitting sites where geological sequestration of carbon dioxide would occur. It also requires EPA to promulgate regulations designed to minimize the risk of carbon dioxide injected underground from leaking into the atmosphere.

Demonstration & Deployment

The bill establishes an EPA program designed to promote the demonstration and early deployment of carbon capture and sequestration technologies. The measure permits electric utility companies that use fossil fuels to hold a referendum on the establishment of a Carbon Storage Research Corporation. The corporation would be operated as a division or affiliate of the Electric Power Research Institute and would assess fees totaling approximately \$1 billion annually over ten years, which would have to be used by the corporation to fund large-scale demonstrations of carbon capture and sequestration technologies in order to expedite the commercial availability of such technologies.

The measure also directs EPA to establish an incentive program to distribute emissions allowances to support the commercial deployment of carbon capture and sequestration technologies in both electric power generation and industrial applications. The measure establishes eligibility requirements for facilities to receive allowances, which would be based on the number of tons of carbon dioxide sequestered. The allowance disbursement program would be designed to provide greater incentives for facilities to deploy carbon capture and sequestration technologies as quickly as possible

after the program's establishment and for facilities to capture and sequester larger amounts of carbon dioxide.

Coal-Fired Power Plant Standards

The bill creates new emissions standards for new coal-fired power plants given final construction permits this year or later. Plants permitted from 2009 through 2020 would be required to meet the new emissions standards within four years of deploying technologies required to meet the standards, but in no case later than 2025. Plants permitted in 2020 or later would be required to meet the new emissions standards when they begin operating.

Carbon Sequestration Reports

The bill requires EPA to submit a report to Congress describing recommendations on how to address the legal and regulatory barriers to the large-scale commercial deployment of carbon capture and sequestration technologies.

The bill also requires EPA to establish a task force comprised of those who would be charged with conducting a study of the legal framework for geological carbon sequestration sites.

The measure further directs EPA to conduct a study that examines how the multiple environmental statutes that EPA administers apply to geologic sequestration activities.

Alternative Transportation Fuels

The bill creates several programs designed to promote alternatively-fueled transportation systems and reduce emissions from transportation systems.

Electric & Hybrid Vehicles

The bill requires electric utility companies to consider plug-in electric and hybrid vehicles when designing electricity distribution infrastructures.

The measure permits the Energy Department to provide financial assistance for regional deployment and integration of plug-in vehicles into electrical grids. The department could specifically fund the purchasing of new plug-in electric drive vehicles, deployment of electric charging stations or battery exchange locations, or facilitating the integration of smart grid equipment with plug-in electric drive vehicles. The results of such programs funded by the department would have to be publicly available.

Like the 2007 Energy Independence and Security Act (PL 110-140), the bill permits the department to assist automobile manufacturers in developing more advanced battery

technologies. Additionally, the bill increases the loan guarantee authorization level under the 2007 law to \$50 billion, from \$25 billion. Funds obtained using the loan guarantees could be used for reequipping, expanding, or establishing manufacturing facilities for advanced technology vehicles or their components, as well as the engineering integration work for such vehicles.

Other Provisions

The bill permits territories, as well as states, to receive grants to reduce diesel emissions under a program established by the 2005 Energy Policy Act (PL 109-58), and makes fuel pipeline projects to be eligible for loan guarantees under the 2005 law.

The measure permits the Transportation Department to require that light duty trucks be capable of running on ethanol or methanol-based fuels if the department determines that such a requirement would be cost-effective.

Energy Transmission

The bill creates and reauthorizes programs designed to overhaul the U.S. electricity grid to make it more efficient, capable of delivering increased amounts of electricity, and allow integration of "smart grid" technologies.

Smart Grids

"Smart Grid" generally refers to modernizing electricity infrastructure to increase reliability and security, including the development of technology that can automatically respond to changing conditions in the electricity market and the inclusion of renewable energy in the electricity market. The bill creates new programs to promote the deployment of smart grid technologies. It reauthorizes and expands a smart grid public awareness program administered by the Energy Department and EPA.

The program is designed to demonstrate potential benefits of investing in smart grid technologies on a regional basis, facilitate the use of technologies to control electric power flow and system reliability, demonstrate energy savings and emissions reductions associated with usage of electric power demand response technologies, and investigate how to implement smart grid technologies in different regions and regulatory environments.

Transmission Planning

The bill establishes a federal policy on electric grid planning that promotes new transmission capacity to transmit renewable energy, and more efficient operation of the existing electrical grid using new technologies, management of transmission lines

according to demand for electricity, and storage capacity. This federal policy would be incorporated into existing regional transmission planning processes. The bill charges FERC with supporting, coordinating, and integrating regional planning efforts to integrate the new federal policy.

The measure reauthorizes a loan guarantee program that assists in funding development, construction, or integration of high-efficiency or superconductive high-voltage electricity transmission technologies. It provides such loan guarantees for manufacturing plants producing such technologies. The bill also authorizes the Energy Department to award grants for up to 50% of the cost of the first project incorporating such technologies, up to a maximum of \$100 million.

Section IV

Energy Efficiency Provisions

This section summarizes the provisions of HR 2454, that set new energy and fuel efficiency standards for appliances, light fixtures, metropolitan transportation systems, government vehicle fleets, metropolitan transportation systems, and residential, commercial, industrial, and government buildings; that establish new energy efficiency requirements in government contracting processes; and that create various federal government programs designed to increase coordination among agencies in setting and meeting energy efficiency standards.

National Energy Efficiency Goal

The bill establishes a national energy efficiency goal of increasing overall energy productivity in the United States by 2.5% per year from 2012 and through 2030. The measure instructs the Energy Department, EPA, and other relevant federal agencies to collaborate on a strategic plan to achieve the national goal, which would include regulatory, funding, and policy recommendations required to meet the goal. It further requires that the plan be updated every two years.

New Building Codes

The bill requires new residential buildings to use 30%, and new commercial buildings to use 50% less energy than comparable buildings built to "baseline" standards that were established in 2006. Residential buildings would have to meet their new standard by Jan. 1, 2014, and commercial buildings would have to meet their new standard by Jan. 1, 2015.

The measure also requires an additional 5% reduction in energy use in new residential buildings every three years until 2029. It sets the same energy reduction standard for new commercial buildings through FY 2030.

The bill directs EPA to directly enforce the new building codes if state and local governments do not enforce them.

Retrofitting

The measure establishes a grant program to be jointly administered by EPA and the Energy Department, that would provide funding to cover up to 50% of costs associated with retrofitting existing buildings with energy efficient building technologies.

The bill authorizes \$50 million annually for EPA in FY 2010 through FY 2013, and \$20 million annually for the Energy Department in FY 2010 through FY 2013 for the program.

Manufactured Housing

The measure establishes an Energy Department rebate program that would provide rebates of up to \$7,500 toward purchases of new manufactured homes meeting "Energy Star" criteria for energy efficiency. Eligibility for rebates would be capped at 200% of the federal poverty line, and the rebates could only be distributed to replace manufactured homes built before 1976.

Labeling Program

The measure establishes an EPA program for labeling buildings according to their energy usage and efficiency, which would be designed to increase public knowledge of building energy usage and efficiency without hindering real estate transactions. The measure directs EPA to use building construction and energy consumption data from the Energy Information Administration in developing the labeling program. The program would be managed by states.

Tree Planting Grant Program

The measure establishes an Energy Department grant program that would provide funds to electric utility companies to plant trees in residential areas and small commercial settings that provide up to 20,000 square feet of commercial space. The trees would have to be planted in consultation with arborists, and would have to be strategically placed to provide maximum shade and protection from wind. The bill authorizes such sums as may be necessary for the program.

Energy Efficiency Data Center

The bill establishes a deadline of Dec. 19, 2009, for the Energy Department and EPA to establish an organization to study and make recommendations on data center energy efficiency. It was authorized by the 2007 Energy Independence and Security Act (PL 110-140).

Appliance Energy Usage Standards

The bill establishes new energy efficiency and water usage requirements for residential and commercial appliances, including light fixtures, televisions, stoves, sprinklers, faucets, and toilets.

Procedures for Determining Appliance Efficiency

The bill directs EPA to develop new, product-specific methods for determining the energy usage and efficiency of appliances. The measure directs the agency, in developing such methods, to consider the range in energy usage for specific products, building codes, electrical grid capabilities, and greenhouse gas emissions.

The bill establishes an Energy Department "best in class" program, which the department would provide rewards for manufacturers of products deemed to be particularly energy efficient compared to similar products currently on the market, and provide assistance to manufacturers to develop products that use energy more efficiently. The measure stipulates that the "best-in-class" program should not interfere with the development of new appliance standards by the department.

Wood Stove Trade-In Program

The bill authorizes \$20 million over the period of FY 2010 through FY 2014 for a wood stove and pellet stove voluntary trade-in program, administered by EPA. The program would be designed to provide assistance to low-income households and American Indian and Alaskan Native households that rely on wood stoves for heat, and would prioritize the trade-in of stoves manufactured before 1990. EPA currently manages a similar program, known as the Great American Wood Stove Changeout Program.

New Appliance Standards

The measure creates several new lighting standards for indoor and outdoor lights. The measure generally requires lighting fixtures to emit an increased number of lumens per watt. (Lumens are a measure of light output). The bill also creates new energy use standards for televisions, hot food holding cabinets, drinking water dispensers that use bottles, portable spas (hot tubs), and commercial natural gas furnaces.

EPA 'WaterSense' Program

The bill establishes an EPA program called "WaterSense," a voluntary labeling program for products that meet water use standards, which would be determined by EPA. The program would label products that use water, like drinking fountains and faucets, with labels similar to the Energy Star label, which applies to appliances' electricity usage. The bill authorizes \$7.5 million for the program in FY 2010, \$10 million in FY 2011, \$20 million in FY 2012, and \$50 million in FY 2013 and each year thereafter, adjusted for inflation.

Water Efficient Product Rebate Program

The measure establishes a grant program that would provide grants to state governments to provide rebates to consumers for replacing water fixtures and other products that use water with new products that use water more efficiently, such as those that receive the new EPA WaterSense label. Each state would establish and administer its own program, and funds would be allocated based on rebate requests and populations. The bill authorizes \$50 million annually in FY 2010 and FY 2011 for the program, \$75 million in FY 2012, \$100 million in FY 2013, and \$150 million in FY 2014 and each year thereafter, adjusted for inflation.

New Energy Star Standards

The bill authorizes \$5 million annually in FY 2010 and each year thereafter for EPA and the Energy Department to review, make recommendations on, and adjust Energy Star standards according to technological advancements. (Products that receive the Energy Star label meet certain criteria for electricity usage.)

Industrial Energy Efficiency

The bill authorizes such sums as may be necessary for existing Energy Department programs that set energy efficiency standards, in consultation with the Industrial Standards Organization. (The department is currently working with the organization on voluntary implementation of industrial energy usage standards.) The measure requires the department to submit a report to Congress on these programs within 18 months after the bill's enactment, and submit a second report 18 months thereafter.

Thermal Waste Recovery

The measure creates an Energy Department program that would provide financial rewards to industrial entities that develop new technologies that capture heat that is produced as a by-product of other industrial processes and would otherwise be lost, and use it to generate electricity. No award could exceed 25% of the value of the electricity produced. Such technologies already exist, and this program is designed to encourage further technological development. The bill authorizes such sums as may be necessary for the program.

Electric Motors

The bill finds that electric motors consume approximately half of the electricity produced in the United States, and directs the Energy Department to study common uses of electric motors and how efficiently they use electricity. It further requires the department to make recommendations on how to increase the energy efficiency electric

motors. The department's recommendations would be specific to individual types of electric motors. The bill also establishes an Energy Department program designed to increase awareness of potential increases in electric motors' energy efficiency.

The measure requires the Energy Department, by FY 2010, to establish a program that would provide rebates for purchasing newer, more efficient electric motors. The rebate for a new electric motor would be calculated by multiplying the motor's horsepower by \$25. Distributors of the new motors would receive \$5 per motor. The bill authorizes \$80 million for the program in FY 2011, \$75 million in FY 2012, \$70 million in FY 2013, \$65 million in FY 2014, and \$60 million in FY 2014.

Government Energy Use

The bill makes various changes to EPA and Energy Department programs that promote energy efficiency projects in public institutions.

Small Jurisdictions

The measure allows small jurisdictions that would not qualify for funding under the Energy Efficiency and Conservation Block Grant program because of their sizes to submit joint applications with other jurisdictions in order to qualify for grants.

Community Development Grants

The bill establishes an Energy Department grant program that would provide funding for community development organization projects designed to improve energy efficiency, develop alternative energy supplies, and increase energy conservation in low income communities. The bill authorizes \$50 million annually for the grant program over the period of FY 2010 through FY 2015.

Energy Savings Performance Contracts

The measure establishes new competitive bidding requirements for energy savings performance contracts, which are funded through an EPA program established in 1996 that funds energy efficiency retrofitting contracts in government buildings.

Federal Agency Technologies

The bill requires the Office of Management and Budget, in collaboration with each federal agency, to create an implementation strategy for purchasing and utilizing more energy efficient information and communication technologies. It also requires the office to establish energy efficiency goals for each agency within six months of the bill's

enactment. (Such technologies and practices include more efficient data center technologies, more energy efficient buildings, and teleworking technologies.)

Carbon Disclosure Program

The measure creates a product carbon disclosure program within EPA. It requires EPA, within 18 months of the bill's enactment, to submit a report to Congress describing whether a national product carbon disclosure program and labeling program would be effective in reducing greenhouse gas emissions. The measure also requires EPA, within three years of the bill's enactment, to establish a national product carbon disclosure program that would indicate the carbon emissions that resulted from the creation of individual consumer products. The measure directs EPA to study the feasibility of labeling products with carbon disclosure information. Participation in the program would be voluntary.

U.S. Territories

The bill requires the Energy Department to convene a panel of technical, policy, and financial experts to address the energy needs of U.S. territorial islands and islands otherwise affiliated with the United States. The panel would be charged with assessing how to reduce territorial islands' importation of fossil fuels, increase the use of energy sources found on the islands, and increase the efficiency of energy use on the islands. The panel would also have to develop an energy action plan for each island based on such assessments.

Section V

Arguments For & Against

This section summarizes the arguments being made by supporters and opponents of HR 2454, American Clean Energy and Security Act. (See note at end of section.)

Arguments FOR the Bill

Supporters of the bill argue that it is a badly needed and long overdue step toward preventing the catastrophic effects of climate change. Any costs incurred by the American people would be minimal — equivalent to the price of a single postage stamp a day for the average household. The bill's benefits, however, would be enormous, both environmentally and economically.

Rather than costing jobs, the bill represents a key to bringing the American economy into the 21st century and creating numerous jobs. America ought to be on the cutting edge of clean, renewable energy development, and this bill gives research and manufacturing companies strong incentives to proceed with the development of new energy technologies. Replacing the country's outdated, fossil-fuel based energy production equipment will necessarily result in lots of new research, manufacturing, and construction jobs.

There is simply no evidence that the bill will cost American consumers any significant amounts of money. The bill includes rebates and free emissions allowances designed specifically to avoid any large increase in electricity costs.

The Congressional Budget Office (CBO) has estimated that the bill would actually save low income consumers money on their utility bills, and the wealthiest 20% of American households would only experience modest rate increases that they could easily afford. The bill's opponents have wildly overestimated the bill's costs, and now claim that the bill's costs cannot be accurately estimated in a last-ditch effort to redeem their credibility.

The bill has also been carefully crafted to avoid any undue burdens on agriculture and rural families. The fact that farmers spend more money than others on energy only underscores the need for new energy policies that will alleviate their dependence on expensive fossil fuels. The bill provides agribusinesses with unique opportunities to make

money in a renewable energy market, through such activities as siting windmills or solar panels on their lands, or growing crops suitable for the production of biofuels. The bill even provides assistance to agricultural enterprises during a transition to a renewable energy market by providing them with free emissions allowances.

Although the bill does not force other countries to reduce emissions, which it could not do anyway, it shows the world that the United States is ready to take the lead in the fight against climate change. European countries, and even other major competitors like China, which have relied heavily on fossil fuels as they have developed their economies, have shown a willingness to participate in a global effort to reduce emissions. The United States should not shy away from the historic opportunity to show the world the benefits of reducing carbon emissions.

Critics of the bill are distorting the facts when they attack funding for international emissions offsets. The fact is that the bulk of funding for emissions offsets would be spent in the United States. Climate change, however, is a global problem, and it would be irresponsible for the United States not to acknowledge that emissions reductions efforts must take place on a global scale. Providing funding to reduce rampant deforestation abroad does not help just other countries keep their forests intact, it helps reduce overall emissions worldwide, as polluted air has been proven to migrate across vast distances, and the forest preservation programs in other countries prevent harmful greenhouse gases from travelling to the United States.

There is no reason to believe that capping and trading emissions allowances would upset the financial markets. Such allegations are nothing but fear mongering by opponents who cannot think of a relevant reason to oppose the bill. Congress is capable of regulating carbon derivatives, and given the current economic situation that was brought on largely due to deregulation, further regulation to control how emissions allowances and emissions offsets are traded would not only be possible, but would receive widespread support.

House Republicans claim to support the increased use of clean, renewable energy, but the bulk of their energy proposals would only push America backwards toward a fossil-fuel based economy rather than helping the country move forward into a clean, renewable energy

economy. Their energy proposals are best summed up in their own words — "drill, baby, drill" — as they only seem to want to increase the use of fossil fuels rather than wean Americans off fossil fuels that must be imported from dangerous and unstable parts of the world.

Nuclear energy, though it might not produce greenhouse gases, is by no means environmentally-friendly or even safe. Additionally, there is no safe way of dealing with nuclear waste, a by-product of nuclear energy, and it is relevant only to electricity production.

The bill has been thoroughly vetted both in committee and among individual members. It is not being rammed through the House, as it has been changed substantially to meet many members' concerns. House Republicans have shown zero interest in negotiating any compromises that would bring more bipartisan support to the bill. Rather, they have preferred to demagogue the bill from the sidelines. It is unfortunate that they have expressed no interest in promoting renewable energy and associated jobs.

This historic bill presents unprecedented opportunities to grow America's economy, decrease dependence on foreign oil, promote renewable energy, clean the air, and address the serious issue of greenhouse gas emissions and climate change. The potentially catastrophic effects of climate change cannot be ignored any longer, must be urgently addressed, and America should take the lead in addressing them. The country that leads in moving to clean energy will lead the world economy in the coming century. This bill sets that course.

Arguments AGAINST the Bill

Opponents of the bill argue that it is nothing more than a national energy tax that will hit every American at a time when they can least afford it. Even the bill's supporters, including the president himself, have admitted their own inclinations that the bill would cause consumer costs to "necessarily skyrocket." Pleasing radical environmentalists is no reason to put the economy at risk, especially during a recession.

The bill is, simply put, going to cost American jobs. American manufacturers are already facing a severe economic downturn and unprecedented foreign competition, and the onerous new government

mandates imposed by this bill will only drive more American jobs abroad. Either American companies will be driven out of business by foreign rivals that will undercut them in prices, or domestic companies will have to move operations to other countries where they will not be subject to the higher costs imposed by the bill.

The new taxes imposed by the bill would only cause electricity costs to skyrocket. Even the bill's supporters concede this fact, but the bill's subsidies do not make up for the price increases that consumers would face.

The CBO estimate on the bill's financial impacts on American households is fundamentally flawed. It does not take into account the volatility of energy prices, a well-documented phenomenon. There is no way that CBO or any other organization could accurately predict what energy prices will be decades from now, but this is precisely what CBO did when it issued its latest report. It would be grossly irresponsible to gamble with the economy using CBO's flawed assumptions.

The bill's most ardent supporters are liberal elitists from urban areas, which should come as no surprise, as the higher energy costs that the bill would bring would hit rural areas very hard. Rural and agricultural communities are already struggling with the economic downturn, and rural and agricultural economies rely very heavily on steady sources of energy. Farmers spend 58% more on energy as a percentage of their incomes than urban dwellers, and farmers have a difficult time staying afloat even under favorable economic conditions. The higher energy costs imposed by the bill could easily deal a fatal blow to numerous American agricultural enterprises.

Environmentalists have admitted that addressing greenhouse gas emissions must be an international undertaking. Even if the United States drastically reduced emissions, such reductions would be cancelled out by the rapidly increasing emissions from countries like China and India. Other countries will only see the adverse impacts on the American economy as an opportunity to increase their own economic competitiveness, as this bill would put America at a disadvantage. Enacting new energy taxes would be the last thing that developing countries would do. It would not be in their best interests to impose energy taxes, just as it would not be in America's best interests.

In addition to sending jobs abroad, it is simply outrageous that the bill could send hundreds of billions of taxpayer dollars directly to overseas in the form of international emissions offsets. It is outrageous to send so much money overseas to fund projects in other countries that foreign governments themselves refuse to finance. The U.S. government is already running massive deficits and has a responsibility to spend taxpayers' money wisely, and spreading untold billions around the world for environmental projects that have not been proven to be effective in reducing emissions is grossly irresponsible.

Besides raising consumer costs and killing jobs, the bill has the potential to set the stage for another meltdown in the financial markets. The bill's "cap and tax" scheme would generate a new market for trading carbon derivatives. Such a market would be difficult to monitor, and coupled with new regulations that have not been tested, could create another chaotic situation in the financial markets, which Congress should be trying to avoid.

If House Democrats really wanted to promote energy independence, they would have brought a bill to the House floor that would expedite oil and natural gas drilling over the millions of acres of federal lands and waters where bureaucratic and legal hurdles are preventing it, and expand America's use of nuclear energy. Promotion of renewable energy sources is needed, but the fact remains that fossil fuels will continue to serve as the dominant energy source for the foreseeable future.

The use of nuclear energy does not produce any emissions, but irrational fear mongering has prevented this very clean and safe technology from being utilized to help satisfy America's growing demand for electricity. If France can produce 80% of its electricity with safe nuclear power, we can produce more electricity with nuclear energy than the one-fifth at our current supply.

This bill has been hastily rushed to the House floor without allowing sufficient time to review it or allow it to go through regular order in the nine committees that have jurisdiction over parts of it. House Democrats are far too eager to reward environmentalist groups that played major roles in funding their campaigns, even if doing so means imposing a job-killing national energy tax that neither the American people nor the American economy can afford or withstand.

This bill can be called historic, but for the wrong reasons. It will send more American jobs abroad, will create massive new government bureaucracies that will hinder economic growth, and will not even clean the air or in any way improve the environment. This bill is nothing more than a thinly-disguised tax increase to be imposed when America can least afford it. Energy is an important issue that Congress should address, but this bill is not the way to address it, and should be defeated.

Note: The arguments presented above are not House Action Reports' arguments, nor do they represent our evaluation of the measure. As indicated, they are arguments that supporters are making on behalf of the measure and that opponents are making against it. House Action Reports attempts only to summarize the arguments on both sides.