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CLIMATE: Lieberman, Warner eye new cost proposal, shy away from 'safety valve' (Wednesday, July 25, 2007)

Darren Samuelsohn, E&E Daily senior reporter

Sens. Joe Lieberman (I-Conn.) and John Warner (R-Va.) promised yesterday to create their own plan to control the costs of a new U.S. global warming law, rejecting an alternative "safety valve" approach supported by major electric utilities and labor groups.

[image removed](#)

In separate interviews, the two leaders of a key Senate Environment and Public Works subcommittee said they favor a provision that tracks prices for carbon dioxide in the emerging U.S. market and allows industry a flexible option if compliance prices stay too high for too long.

Warner has teamed up with three moderate senators and Duke University's environmental program in writing a cost-control [bill](#) introduced yesterday on Capitol Hill. The proposal gained immediate traction as Warner and Lieberman continue to work on a broader cap-and-trade proposal aimed at cutting heat-trapping pollution by as much as 80 percent over the next four or so decades.

"I'm impressed with it," Lieberman told reporters at the conclusion of a subcommittee hearing on the costs of a U.S. climate change policy. "And since [Warner's] my partner in this, and he likes that cost-containment proposal, I'd say there's a high probability it or something quite close to it will be in our draft proposal."

Lieberman and Warner said they would release a summary of their compromise bill before the end of next week, with a formal introduction when Congress returns after Labor Day. A subcommittee markup will come in September, Lieberman said, with broader plans to report the global warming legislation through the full Environment and Public Works Committee and on to the Senate floor later in the fall.

"We told our staff they're not expected to sleep for the next seven to ten days,"

Lieberman said.

Warner's cost plan contrasts with a "safety valve" provision included in legislation from Sens. Jeff Bingaman (D-N.M.) and Arlen Specter (R-Pa.). Under the Bingaman-Specter bill, industries would know they do not have to pay more than \$12 for every ton of carbon dioxide they emit during the first year of the cap-and-trade program.

American Electric Power, Duke Energy Corp. and the 9-million member AFL-CIO were among the groups that endorsed the Bingaman legislation upon its introduction earlier this month.

"We're going to take portions of Bingaman's bill, but perhaps not that," Warner said. "I think we're going to stick with what I'm working on."

'A lot we can work with' -- Boxer

The cost of a potential new U.S. climate policy is sure to play a big role in determining whether Congress can craft a successful bill and then see President Bush sign it into law. The Warner proposal carries extra weight by bringing along as cosponsors three senators who have wavered on the question of first-ever U.S. caps on greenhouse gas emissions: Sens. Mary Landrieu (D-La.), Blanche Lincoln (D-Ark.) and Lindsey Graham (R-S.C.).

Under the Warner bill, companies faced with mandatory pollution cuts could borrow with interest against their future requirements should the carbon price persist beyond Congressional Budget Office estimates. If the borrowing does not work, more allowances would be temporarily released into the market with the caveat that future pollution requirements get tougher.

The legislation also would establish a new seven-member Carbon Market Efficiency Board that would have direct oversight of the system. Bill supporters said the presidentially appointed board would operate in many ways like the Federal Reserve monitors inflation, interest rates and the overall U.S. economy.

Sen. Barbara Boxer (D-Calif.) repeated her opposition yesterday to the "safety valve" approach, arguing it would not stimulate enough investment in new energy technologies needed to combat global warming. In an interview, the chairwoman of the Senate Environment and Public Works Committee instead praised the Warner approach as a promising alternative.

"I think it has a lot we can work with," she said. "The commission taking a look at the big picture, it's very important. I've always favored look-backs and re-evaluations, because we may not be moving aggressively enough or we may be moving too aggressively. We don't know, and that's why I love this idea of a

commission."

Boxer also said she would pay close attention to those named to the panel.

As for Bingaman, the chairman of the Senate Energy and Natural Resources Committee wasn't ready to give up on his safety valve plan, which first surfaced more than a decade ago during internal Clinton administration debates over the United Nations' Kyoto Protocol and later resurfaced in a 2004 report from the National Commission on Energy Policy.

"It's good to see that other senators are trying to tackle the difficult issue of cost-certainty vis-a-vis climate legislation," Bingaman spokesman Bill Wicker said. "We will continue to review this new proposal to understand how it works."

Asked if the safety valve had lost traction compared to the Warner legislation, NCEP spokesman Paul Bledsoe replied, "I think that it's an indication that cost containment is the issue of the day. I'm sure there'll be a variety of valuable proposals to develop effective cost-containment measures."

Boxer did both welcome a component of Bingaman's bill that would require U.S. trading partners such as China and India to purchase pollution credits if they do not have sufficient global warming policies in place after about a decade. Bingaman has the "best idea yet" for dealing with such fast-growing economies, Boxer said, adding, "What we have is a situation where we need to take a look at countries [that] are not doing their share, and there needs to be a price for that."

Safety valve reaction

Most environmental groups offered a cautious endorsement of the Warner-led cost legislation.

David Hamilton, director of the Sierra Club's global warming and energy program, said Warner and his cosponsors deserved credit for putting the environmental integrity of the cap-and-trade program on level footing with cost concerns.

But he added, "There are far too many variables left to later development to assure that this is a panacea or that it even comes out fulfilling the stated goals of the authors."

Hamilton said the strength of the legislation's cap, as well as the method for distributing tens or hundreds of billions of dollars in pollution credits, still remain front-burner issues. "No cost-containment measure can make a bad cap-and-trade program work correctly," he said. "That being said, this program should render a safety valve a dead idea."

Environmental Defense President Fred Krupp offered a similar assessment. "We don't have to abandon environmental goals to manage economic costs, and we don't have to settle for solutions that leave economic opportunities on the table," he said. "This plan could offer a way forward for a bill that delivers real results for the climate and real benefits for business."

A top AFL-CIO official refrained from judgment on the Warner plan, saying he had not had sufficient time to review it.

"It's interesting people who at one point automatically rejected the safety valve, pure and simple, will now say we need an emergency off-ramp," said Bob Baugh, director of the AFL-CIO's Industrial Union Council.

Sen. James Inhofe (R-Okla.) offered a more critical perspective on Warner's cost plan. "Constructing new federal bureaucracies like the proposed 'Carbon Market Efficiency Board' will do nothing to alter the climate or solve the economic issues," said Inhofe, the ranking member of the Senate Environment and Public Works Committee.

Inhofe also cited Massachusetts Institute of Technology climate scientist Richard Lindzen, who said in March, "Controlling carbon is a bureaucrat's dream. If you control carbon, you control life."

And Margo Thorning, senior vice president and chief economist at the American Council for Capital Formation, likened the new board to a Nixon-era program that tried without success to control rising gas prices. "You can't expect a body of regulators to perform the functions that a market can," she said. "I think it's setting us up for failure."

Thorning instead said lawmakers who claim to be serious about global warming would be better off adopting a tax on carbon emissions. She said that approach would be more transparent to Americans.

EPA study puts emphasis on costs, emission gains

The Senate debate over the costs of climate change policy took on another dimension yesterday with the release of a U.S. EPA [study](#) on the environmental and economic effects of cap-and-trade bill legislation sponsored by Lieberman and Sen. John McCain (R-Ariz.).

Some of global warming's worst consequences could be averted over the next century if the Lieberman-McCain bill, [S. 280](#), became law, so long as other international players include similar strategies, EPA said in its most comprehensive study in a decade on global warming legislation.

Among the EPA findings: The "Climate Stewardship and Innovation Act" would

contribute to global greenhouse gas concentrations by 2095 down to levels that many scientists say is necessary to avoid increasing the risks of forest fires, water scarcity and more intense heat waves. Those benefits would only come, EPA added, if other countries that are already limiting greenhouse gas emissions under the Kyoto Protocol continue on a similar path to a new U.S. policy that limits emissions to 50 percent below 1990 levels by mid-century.

EPA's modeling also assumed China, India and other emerging economies would bring their emissions down to 2000 levels from 2035 to 2050 -- a long-shot scenario Lieberman and McCain requested.

By contrast, EPA found that continuing current U.S. and world climate policies would allow emission concentrations to reach levels that scientists say would heighten risks of the most severe climate effects by century's end.

The U.S. economy would continue to grow with or without the climate policies becoming law, EPA says. But the Lieberman-McCain bill by 2030 would lower U.S. gross domestic product by about 1 percent compared with a business as usual scenario. And average annual per-household consumption would fall 2 percent (\$550) from projected levels in 2030 if the measure became law.

EPA also found electricity prices would increase 22 percent in 2030 and 25 percent in 2050. And gasoline prices would rise by 26 cents per gallon in 2030 and 68 cents per gallon in 2050. Costs would also increase "significantly" if some of the most promising energy technologies -- including carbon capture and sequestration and nuclear power -- do not pan out as promised, EPA said.

The EPA study did not factor in the benefits from reducing greenhouse gas emissions and the potential risk reductions from less global warming.

Lieberman in a press release welcomed the new report. "While no economic model predicts the future perfectly, EPA's projections are informative and useful," he said.

And his office also played up the environmental benefits of the legislation, especially as they compare to current policies implemented during the Bush administration. McCain, a Republican candidate for president, added that the bill "provides a valuable road map for finding a sound solution to the most difficult environmental change of our time."

Under the Lieberman-McCain bill, pollution cuts would be required for power plants and large manufacturing and commercial facilities, as well as transportation fuels at the refinery or the import terminal. The legislation would require U.S. emissions to fall in 2050 by 67 percent below 2004 levels.

For her part, Boxer yesterday said the latest EPA study offered little to the current

debate considering Lieberman and Warner are at work on a new package. "None of those really are relevant to my thinking now because we're going to be writing a chairman's mark," she said. "The old bills are the old bills."

White House warning

An EPA [letter](#) from the agency's top air pollution official, Robert Meyers, took a neutral tone in describing the effects of the legislation. But a White House spokeswoman cautioned against the economic effects if the Lieberman-McCain bill became law.

Kritsen Hellmer of the Council on Environmental Quality cited EPA estimates that show the projected growth of gross domestic product if Lieberman-McCain became law could slow by up to \$419 billion by 2030 and up to \$1.3 trillion by 2050.

Asked if the EPA study would change President Bush's position in opposition to mandatory cuts, Hellmer replied, "The president has been clear about what principles he supports to address climate change. Any climate change plan must sustain economic growth, not shift jobs overseas, create real reductions in emissions in the U.S. through the advancement of technologies, and China and India must be included."

Hellmer added, "Like all other legislation, we will review this bill and weigh it against the principles outlined by the president on climate change."

The Senate on two previous occasions voted against the Lieberman-McCain bill: 43-55 in 2003 and 38-60 in 2005.

EPA also is in the early stages of preparing a study on climate change legislation from Sens. John Kerry (D-Mass.) and Olympia Snowe (R-Maine).

[Click here](#) for the Warner-Landrieu-Lincoln-Graham legislation.

[Click here](#) for a white paper on the Warner legislation.

[Click here](#) for the EPA study of the Lieberman-McCain legislation.

[Click here](#) for EPA's letter to Sens. Lieberman and Warner.

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