

June 22, 2009

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Dear Progressive Caucus Leaders,

On behalf of our members and supporters representing a diverse coalition of religious, consumer, environmental and justice interests, we are writing to alert the Progressive Caucus to serious flaws in H.R. 2454, the “American Clean Energy and Security Act of 2009.” As currently written, the bill falls significantly short of creating the transformational change that is required to address global warming. We urge the Progressive Caucus to take the necessary steps to mobilize and strengthen this bill, so that it merits your support.

We believe that the following areas need significant improvement:

Emissions Reduction Goals

The bill fails to mandate an overall science-based greenhouse pollutant standard that will avoid catastrophe to human welfare and the environment. The emissions targets under the proposed cap equate to reductions of roughly one to four percent below 1990 levels by 2020 and 68 to 71 percent below 1990 levels by 2050¹. Emissions reductions must be more ambitious to avoid climate impacts, including severe droughts, storms and floods, and sea level rise that will inflict pain and suffering on vulnerable communities around the world.

The greenhouse gas reduction goals in the bill are further undermined by the two billion tons of carbon offsets available annually; one billion tons each from domestic and international sources are authorized in the bill. Given specific market circumstances the bill allows international offsets to increase to 1.5 billion tons, while decreasing domestic offsets to 500 million tons. In practice, if the offsets are fully utilized, the United States is unlikely to meet even the limited pollution reductions that the bill seeks to achieve. In fact, U.S. emissions could increase until 2026.² Carbon offsets are difficult to monitor and measure leaving their environmental integrity in serious doubt.

¹ This range includes mandatory emissions reductions from covered entities under the cap, with an additional three percent reduction from complementary requirements like emission performance standards for uncapped sources, but does not include international forest provisions. These calculations draw from the World Resources Institute’s ‘Emission Reductions under the American Clean Energy and Security Act of 2009.’ We do not believe that U.S. investments in international deforestation should count toward our domestic reduction goals.

² Analysis by International Rivers and Rainforest Action Network.

Protecting Low- and Middle- Income Families

One of the primary goals of H.R. 2454 is to place a price on carbon through a cap and trade mechanism. Without mitigation strategies, carbon pricing systems are economically regressive – disproportionately impacting low- and middle-income families. H.R. 2454 contains several mechanisms to compensate these families including the utilization of the tax code and existing social programs to distribute revenue to low-income families. The bill also relies heavily on local distribution companies (LDCs), to distribute consumer rebates to energy users. We support the use of 15 percent of the permit value allocation to the low-income distribution mechanism; however we believe that providing almost 40% of the permits in the early years to local electric and natural gas distribution companies, as this bill does, is the wrong policy. LDCs are not a suitable delivery mechanism for consumer rebates and the legislation poorly defines how LDCs should use the free permits for the benefit of consumers. A much simpler and transparent approach would be to auction off 100 percent of these permits and provide a broad based tax rebate or “dividend” directly to households.

Carbon Markets

H.R. 2454 creates a vast new carbon derivative market. Commissioner Bart Chilton of the Commodity Futures Trading Commission recently estimated that in five years the carbon market could be worth \$2 trillion, consisting of 180 million contracts -- about the equivalent of the sweet crude oil and natural gas markets combined. This massive trading program would create the world’s largest commodity market. Despite the warnings from last year’s financial crisis, the bill relies on regulatory structures similar to those that have failed in the past. Insufficient regulation of new carbon markets could end up causing wild energy price swings or a potential economy threatening asset bubble. These problems are potentially exacerbated by the inclusion of the environmentally dubious two billion carbon offsets authorized in the bill. Junk or “subprime” carbon offsets can create instability in the carbon markets.

Clean Energy

H.R. 2454 contains a Renewable Energy Standard which mandates that 15 percent of our electricity be generated from renewable energy by 2020. Unfortunately, according to a recent analysis³, loopholes and waivers in the proposed standard weaken the mandate to such a degree that very little or no new renewable energy sources could be brought on line by 2020 relative to business as usual scenarios. The definition of renewable energy includes waste incineration, which releases toxics into surrounding communities. It also includes energy from biomass, but without the safeguards necessary to prevent widespread degradation of our forests and natural ecosystems. This provision also weakens forest and ecosystem protections from biofuels policy. In addition, the bill creates a Clean Energy Deployment Administration which could fund dirty energy like nuclear power and coal.

³ Separate analysis by the National Renewable Energy Laboratory and the Southern Alliance for Clean Energy.

International Obligations

H.R. 2454 severely under-funds and under-authorizes international finance and technology transfer. The UN Framework Convention on Climate Change states that developing country actions to address global warming will depend on financing and technology transfers from developed countries. To achieve meaningful global emissions reductions, developing nations will need to play a major role and the U.S. must provide adequate funding for adaptation to climate impacts, technology sharing, mitigation of climate change through clean energy and other means, and halting deforestation in developing countries. U.S. legislation should also mandate that this funding be channeled through a new Global Climate Fund under the authority of the Conference of Parties to the UN Framework Convention on Climate Change, as proposed by developing countries.

Current Government Authority to Regulate Greenhouse Gases

The bill repeals key provisions of the Clean Air Act that allow the Environmental Protection Agency to regulate global warming emissions from stationary sources with emissions greater than 25,000 tons per a year. The bill creates New Source Performance Standards for new coal-fired power plants, but grandfathers in both existing plants and all plants currently in the permitting queue. For four decades the Clean Air Act has protected the air we breathe, saving thousands of lives each year and producing economic benefits worth 42 times the cost of regulation, according to the EPA's own data. Climate legislation should not remove the ability of the Environmental Protection Agency to regulate climate pollution under the Clean Air Act, one of our nation's most successful pollution reduction regimes.

Polluter Giveaways

H.R. 2454 gives a significant amount of free permits to the coal and oil industry. The coal industry could receive approximately \$150 billion over the lifetime of the bill for the deployment of carbon capture and sequestration (CCS) technology – funds that should instead be invested in renewable energy technologies. CCS technology is speculative, and even if feasible, would continue to allow coal to be mined, transported and burned to produce electricity. Coal mining is decimating communities in coal mining regions of the United States like Appalachia. In addition, the bill allows utilities to tax ratepayers to fund CCS deployment. The revenue from this tax is managed by a non-governmental entity made up of utilities. H.R. 2454 also gives approximately \$24 billion to oil refiners.

The environmental, economic, public health and international security threats of global warming require strong and immediate action from Congress. Unfortunately, we believe that H.R. 2454, the “American Clean Energy and Security Act of 2009” as currently drafted requires significant improvements to meet these challenges. For additional information, please contact Erich Pica, Friends of the Earth (202) 222-0739, Tyson Slocum, Public Citizen (202) 546-4996, or Devin Helfrich, Friends Committee on National Legislation (Quakers) (202) 903-2520.

Sincerely,

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