

Congressional Action on Climate Change: A Look at Its Potential Impact

A major climate change bill is making its way through Congress. After extensive negotiations, the American Clean Energy and Security Act--co-sponsored by Reps. Waxman and Markey--was approved by the House Energy and Commerce Committee in late May. This is a compromise bill, carefully crafted to win the votes of legislators representing a variety of powerful interest groups. Action by the full House is expected by the end of June.

Weak 2020 emissions-reduction target

The Waxman-Markey bill would put a cap on greenhouse gas emissions, with the goal of reducing emissions 17 percent below 2005 levels by 2020 and 83 percent by 2050. Many environmental advocates are disappointed that the bill does not require larger reductions in the near term. A reduction of 17 percent by 2020 from 2005 levels equates to a mere 3 percent reduction from 1990 levels--the base year used for the Kyoto Protocol.

In contrast--

- The Intergovernmental Panel on Climate Change (IPCC) has called on developed countries to reduce emissions 25-40 percent below 1990 levels by 2020.
- The European Union has agreed to a unilateral 20 percent cut in emissions (compared to 1990 levels) by 2020--and a 30 percent reduction if the U.S. and other developed countries make a similar commitment.
- Evanston has pledged to meet the Kyoto Protocol target--a 7 percent reduction below 1990 levels by 2012. Based on an inventory of Evanston's 2005 emissions, this translates into a 13 percent reduction by 2012 to meet the Kyoto goal.

The Waxman-Markey bill's longer-term goal of an 83 percent reduction by 2050 is in line with the reduction targets of the IPCC and others.

Renewable energy standard

The bill creates a renewable energy and efficiency standard requiring that an increasing percentage of the electricity sold by utilities come from a combination of renewable sources and efficiency measures--15 percent from renewables and 5 percent from efficiency by 2020.

The new federal requirements will not interfere with standards already in place at the state level. Illinois standards, approved in 2007, are among the strongest in the country. Illinois utilities are required to produce 25 percent of their power from renewable sources by 2025 and to reduce electricity usage by 2 percent by 2015.

The proposed legislation would also establish new standards for building efficiency--requiring new buildings to be 30 percent more efficient in 2012 and 50 percent more efficient in 2016. And it provides funds--more than \$100 billion between 2012 and 2025--to promote renewable energy and energy efficiency.

A clean energy economy

These measures will foster investment in new “clean tech” companies and help transform existing industries. They will boost demand for Illinois's wind energy and put Illinois factories to work, meeting the growing demand for components of renewable energy systems.

The clean energy economy will also generate a significant number of green jobs--building wind turbines, installing solar panels, and retrofitting buildings and houses to make them more energy efficient. They will require workers from every socioeconomic background and will pay family-sustaining wages. A green-job-and-transition program will help workers transition away from fossil fuel-dependent industries.

The bill would also provide funding to support the commercial deployment of carbon capture and sequestration (CCS) technologies--critical to reducing emissions from Illinois coal plants. And it would assist the automobile industry in developing the next generation of fuel-efficient vehicles.

Offset provisions

Illinois (along with other Midwest states) enjoys a comparative advantage as a potential supplier of domestic agricultural offsets--an alternative compliance option for entities covered by the emissions cap. Opportunities for offsets in Illinois include projects designed to reduce methane emissions from livestock and to capture methane from farm animal waste.

Protections for Illinois consumers

The Environmental Protection Agency estimates that the emissions cap will have only a modest impact on consumers. The cost to the average household is projected to be between \$98 and \$140/year. Rebates would protect consumers from most of the effects of higher energy prices.

Local electric utilities would receive free emissions permits equal to 90 percent of the cost of complying with the emissions cap. They would be required to pass the value of these permits to consumers through lower electricity bills. Similar programs would protect consumers of natural gas and home heating oil.

In addition, 15 percent of the emissions permits would be auctioned and the proceeds used to reimburse low-income households for the loss in purchasing power that higher energy prices will bring. The Center on Budget and Policy Priorities finds that the consumer refund, in combination with the other consumer relief mechanisms in the legislation, would fully offset the average loss of purchasing power that low-income households would face.