



Interfaith Power & Light

A religious response to global warming

The Clean Energy Jobs and American Power Act ***Summary of Key Provisions***

The Clean Energy Jobs and American Power Act, sponsored by Senators Kerry and Boxer, represents a big step forward in stabilizing the climate and building a clean energy future.

Kerry-Boxer is similar to HR 2454, which passed the House of Representatives on June 26th. However, it is less comprehensive in that it does not (yet) include allocations of emissions credits or a Renewable Energy and Energy Efficiency Standard. It does include a framework for distribution of carbon credits and a carbon market. It also contains some important strengthened provisions, which are outlined below.

The bill includes "placeholders" for nuclear energy and carbon capture and sequestration technology and specific support for natural gas. It has a new "clean energy" provision to reward companies that switch from power sources with higher emissions than the 2007 power sector average — such as coal-fired or oil-fired power plants — to cleaner fuels including gas.

Cap on Greenhouse Gas Emissions

The overarching goal of the Clean Energy Jobs Act is to address global warming by capping greenhouse gas emissions, facilitating the transition to a clean energy economy and creating clean energy jobs. **It caps greenhouse gas emissions at 20 percent below 2005 levels by 2020, and 80 percent by 2050.** The strengthened short-term goal should be well within reach, as U.S. emissions projections have been revised downward, due to the economy and to the implementation of other energy and climate policy measures.

The bill creates a process for future strengthened targets with a provision that requires the Environmental Protection Agency (EPA) and the National Academy of Sciences (NAS) to review technological advancements and make recommendations to the administration. NAS would also be charged with conducting a science review if the EPA has not. In response to the NAS recommendations, the EPA and other agencies would be required to adjust certain aspects of the policy. If the latest science indicates that we must accelerate or deepen reductions, the president is required to propose legislative changes for Congress to consider.

I. MARKET PROVISIONS

A. Allowances

Kerry-Boxer includes the structure of the allowance distribution, mirroring the House proposal in dedicating most allowance value to various "baskets" of consumer protection, clean technology,

etc. But like the first version of the House bill, this initial offering does not fill in the percentages that will be allocated or auctioned to those baskets. Those important blanks will be filled in later as the Environment Committee and other committees mark up the bill.

B. Carbon Market Stability and Safeguards

Kerry-Boxer attempts to provide more certainty to protect consumers and businesses through price stabilization measures, while maintaining the integrity of the pollution cap over the long run. Strong market safeguards are also called for, although the specifics will come later because they fall outside the jurisdiction of the Environment Committee. It calls for the new carbon market to be regulated by the Commodities Future Trading Commission.

One mechanism in the bill is a Market Stabilization Reserve, which sets a carbon price ceiling that starts at \$28/ton in 2012 and rises by an inflation-adjusted 5-7% annually. Using this fixed ceiling price in combination with the House bill's fixed floor price (which starts at \$10/ton in 2012 and rising 5% per year thereafter), the Kerry-Boxer bill looks to create a "price collar" on carbon allowance values over the life of the program.

C. Offsets

Kerry-Boxer increases the amount of domestic offsets by 40% over the House version, to ensure flexibility in the market. The large number of offsets creates greater certainty that the prices will stay within the "price collar." The Senate bill gives the president the authority to choose which agency will oversee the offset program, whereas the House bill gives that role to the USDA.

II. ENERGY PROVISIONS

A. Energy Efficiency and Renewable Energy

While the House bill included and The RES and EES combined standard, Kerry-Boxer bill will incorporate the Senate Energy Committee's earlier draft of energy language. Up to five percent of the standard could come from energy efficiency. Like the House bill, Kerry-Boxer includes provisions to enhance energy efficiency in buildings, factories, and transportation.

B. Coal and Nuclear Energy

Kerry-Boxer addresses coal and nuclear energy, both through regulations and additional funding to pay for it. The strongest provision is a performance standard for new coal plants. Any new coal plant permitted after 2009 is required to reduce 50% of its global warming pollution by 2025; after 2020 new coal plants must reduce global warming pollution at least 65%. Performance standards may be met through a variety of means, from efficiency gains to carbon capture and sequestration. The bill also adds a ratepayer surcharge to electricity bills the help utilities pay for new coal plants with carbon capture and storage technology.

As mentioned above, the bill has a nuclear energy title that is not yet filled in, but clearly signals a role for nuclear energy. It also authorizes funding for nuclear safety and worker training for nuclear power plants.

C. Protection for EPA Authority

Unlike the House bill, the Senate legislation maintains the Environmental Protection Agency's authority over issuing permits to coal-fired power plants (New Source Review). Because the Clean Air Act is not curtailed, the agency may also require pollution reductions from other large-scale industrial polluters, and set efficiency standards for vehicles.

III. EQUITY AND JUSTICE PROVISIONS

A. Green Jobs and Worker Transition

Kerry-Boxer establishes a Green Construction Careers Demonstration Project and funds the Green Jobs Act. Another provision will provide transition assistance to workers in carbon-intensive industries who lose their jobs, and there are programs for retraining and assistance for those who want to work in the emerging clean-energy economy.

B. Domestic Adaptation and Assistance

Kerry-Boxer requires federal and state adaptation planning for impacts to public health, natural resources, and water resource management and provides funding to support that planning, research, and implementation. It also includes provisions to ensure stable electricity rates for low-income families, and authorizes funding to improve the energy efficiency of public and assisted housing.

C. International Adaptation, Mitigation, and Clean Tech

The Clean Energy Jobs and America Power Act commits to providing funding for developing countries to reduce their tropical deforestation. The bill does not specify the amount of funding yet; this will be determined in Senate committees. It also includes critical provisions to support clean technology exports, and to help the poorest and most vulnerable nations cope with unavoidable climate change impacts.

Kerry-Boxer mandates a report on the efforts made by other major emitting nations, such as China and India, to reduce their pollution.

IV. COMPLEMENTARY POLICIES

A. Transportation

Kerry-Boxer includes an important section addressing future emissions from transportation and sprawl that requires city planning organizations to include emissions reductions targets in land use planning, including transit oriented development, public transit and bike/pedestrian infrastructure. It requires states to fund these planning programs with a certain percentage of carbon funds. The bill also directs the EPA to set standards for non-road vehicles such as marine vessels and locomotives.

B. Recycling

Recycling is supported through a waste-diversion goal of 30% for cities and counties.

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ⁱ Sources: Sen. John Kerry, Apollo Alliance, Union of Concerned Scientists, NRDC, Washington Post, ISky