

House Democrats unveil sweeping plan to reshape energy in America

April 1 2009, By Renee Schoof and David Lightman

Democrats in the House of Representatives on Tuesday announced a sweeping plan to change how the nation produces and uses energy in order to reduce the risk of dangerous climate change.

No environmental legislation in America has ever attempted such wide-reaching changes. The bill -- an incomplete draft that will evolve in the months ahead -- would provide incentives to boost wind, solar and other renewable energy, would improve efficiency so that homes and businesses need less fuel and would support the development of cars that run on biofuels and electricity.

It also would make using [fossil fuels](#) more expensive -- and that will be the central issue of debate in Congress, with armies of lobbyists on both sides.

The measure contains a variety of terms intended to help businesses survive the energy transition, but it leaves open for debate the central question: how revenues from pollution permits would be used. That means the question of how consumers would be helped also remains to be worked out.

The plan calls for a system to limit for the first time the amount of global warming pollution -- mainly [carbon dioxide](#) from coal and oil combustion -- that's permitted from utilities, oil companies and large-scale industries, which make up 85 percent of the U.S. economy. They'd have to buy permits for each ton of emissions.

The total emissions amount would be lowered each year until it was 83 percent below 2005 levels in 2050. That's the amount that science suggests will be needed as part of a global effort to prevent irreversible problems from steadily increasing warming.

Companies that need more permits could buy them from companies that need fewer of them. This system of a declining cap on overall emissions and a market for permits is known as "cap and trade."

Sponsors declared that their plan would create jobs in [clean energy](#) that couldn't be shipped offshore, would reduce dependence on foreign oil and would make the United States an exporter of energy technology, all while making sure that American consumers and coal-dependent parts of the nation are spared from sharp cost increases.

"This legislation will create millions of clean energy jobs, put America on the path to energy independence and cut global warming pollution," said Rep. Henry Waxman, D-Calif., the chairman of the House Energy and Commerce Committee, who sponsored the draft along with Rep. Edward Markey, D-Mass., the chairman of the committee's Energy and Environment Subcommittee.

Waxman and Markey modeled their cap and trade plan on a consensus report that U.S. Climate Action Partnership, a group of 26 large businesses _ including ConocoPhillips, Shell, BP America Inc., Duke Energy, Alcoa and the U.S. automakers -- and five environmental groups released in January.

Environmental groups supported the draft.

Democrats are pushing for ambitious [climate-change](#) legislation this year before a global conference in Copenhagen, Denmark, in December that aims to set new goals for reducing the emissions that contribute to global

warming.

Republican Sen. Mitch McConnell, R-Ky., called the Waxman-Markey plan a "new national energy tax" and asserted that it would cost households up to \$3,100 a year and reduce the number of U.S. jobs.

House Republican leader John Boehner of Ohio attacked the plan with similar arguments and added that AK Steel, which is in his district, would pay more under cap and trade than competitors in places such as China would.

"Their costs will skyrocket and their customers will simply buy cheaper imported steel," Boehner said.

The draft, however, contains provisions to protect businesses from foreign competition and leaves open for debate how consumers will be protected. One idea that has some bipartisan support is returning all or most revenue from pollution permit sales to taxpayers.

Another suggestion is to give permits to companies free in the plan's early years. That also could help hold down costs to consumers if the companies passed the benefits along.

In a sign of the argument to come, Republicans unleashed a series of ads Tuesday aimed at 54 politically vulnerable House Democrats, charging that a cap and trade plan would send energy prices soaring. Ken Spain, a spokesman for the National Republican Congressional Committee, warned of a "fiscally irresponsible cap and tax proposal that will increase energy bills, raise taxes and overwhelm the budgets of American families."

Scott Paul, the executive director of the Alliance for American Manufacturing, said he was glad that the draft bill included plans to

protect American industries from competitive disadvantage. Still, he said it would take time to analyze the 640-page draft to determine how effective and how costly the bill would be.

The bill's section on global competitiveness calls for some industrial sectors to receive rebates to compensate for additional costs. If the rebates aren't sufficient, the president could impose tariffs on foreign manufacturers and importers to cover the carbon they emitted in making their exported products.

James Mulva, the chairman and chief executive officer of ConocoPhillips, said at the National Academy of Sciences on Monday that businesses wanted certainty about energy prices so they could make investment decisions. He predicted that this issue will be a difficult fight in Congress and called for work toward an "environmentally effective, economically sustainable and fair" approach.

Mulva said that a "significant proportion" of the permits should be given free to businesses to help consumers and protect against competition from foreign countries without mandatory controls.

The measure offers other provisions that businesses sought. One is offsets; companies can increase their emissions if they obtain reductions of emissions elsewhere at a lower cost which offsets those increases. Total offsets would be limited.

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