

# An Energy Bill Without a Carbon Cap Could Do More Harm than Good

America needs comprehensive clean energy and climate legislation that will cap carbon pollution, create jobs with investments in clean energy, and increase our national security by reducing oil imports. These are urgent matters; halfway measures that would divert time and attention that should be spent on taking effective action need to be taken off the table. Congress needs to reject measures that appear to address the problem but could actually increase global warming pollution. A bill that deals solely with energy could make global warming pollution worse, would fall short on jobs and national security, and would cost taxpayers more than a comprehensive bill. An “energy-only” proposal is not the way to move forward.

## A BROAD LIMIT ON CARBON POLLUTION AS PART OF COMPREHENSIVE CLEAN ENERGY AND CLIMATE LEGISLATION IS THE ONLY LEGISLATIVE TOOL THAT CAN GUARANTEE SIGNIFICANT CUTS IN EMISSIONS

Although some other energy policy proposals can contribute to cutting pollution, they are inherently limited in their scope and impact. For example, the American Clean Energy Leadership Act (ACELA, S. 1462), reported by the Senate Energy and Natural Resources Committee, includes some laudable provisions to improve the energy efficiency of appliances, industrial processes, and residential and commercial buildings. **But even with those provisions, ACELA would at best achieve only one-tenth of the carbon reductions in 2020 that would result from proposed comprehensive legislation that includes a carbon cap. At worst, other provisions in ACELA would swamp any benefits from energy efficiency and leave carbon pollution levels higher than they would be without the bill.**

The House-passed American Clean Energy and Security Act, H.R. 2454, would reduce emissions of heat-trapping pollution by 2 billion tonnes (metric tons) from 2005 levels by 2020, and the Clean Energy Jobs and American Power Act, S. 1733, which was reported by the Senate Environment and Public Works Committee, would achieve similar emission reductions. A 2 billion tonne cut would be at the lower end of what scientists say is needed to prevent dangerous global warming—that is, to avoid the 2 degrees Celsius increase in temperature that nations pledged to avert in the Copenhagen Accord. At best, ACELA could achieve only about one-tenth of that cut—260 million tonnes;<sup>1</sup> that’s not enough even to put us on track to avoid dangerous global warming.

**But a number of provisions in ACELA could actually increase carbon pollution, and the impact of those provisions could swamp any good the efficiency initiatives would do.** In the absence of a carbon cap, the electricity transmission provisions of ACELA, together with a provision to weaken the environmental performance required of fuels procured by the federal government, could increase emissions.

Beyond that, **ACELA would create only a fraction of the clean energy jobs that could be created by a comprehensive bill, and ACELA would reduce U.S. oil imports by only a fraction of what could be achieved by a comprehensive bill.** Even the sponsors of ACELA estimate it will create at most 500,000 new jobs over the next decade.<sup>2</sup> But a study led by economists at the University of California at Berkeley estimates that a comprehensive bill would result in 1.9 million net new jobs in 2020.<sup>3</sup>

For more information,  
please contact:  
**Franz Matzner**  
fmatzner@nrdc.org  
**Jim Presswood**  
jpresswood@nrdc.org.



## An Energy Bill Without a Carbon Cap Could Do More Harm than Good

ACELA would do little to reduce U.S. oil imports beyond opening new areas of the Outer Continental Shelf (OCS) to oil drilling with all the attendant environmental problems. A comprehensive bill, on the other hand, would help reduce U.S. oil demand and could vastly increase U.S. production from existing wells. That's because carbon dioxide captured from coal plants could be used to pump oil out of existing wells through a process known as enhanced oil recovery (EOR), making available 35 to 55 billion barrels of domestic oil.<sup>4</sup> Between demand reductions and enhanced oil recovery, a comprehensive bill could cut U.S. oil imports in half.<sup>5</sup>

Finally, **ACELA would cost taxpayers more than a comprehensive approach.** The Congressional Budget Office (CBO) estimates that ACELA would increase the deficit by about \$13.5 billion between 2010 and 2019. A comprehensive bill can provide funds to pay for energy programs through carbon allowances, whether they are distributed for free or auctioned. For example, CBO estimates that S. 1733, the comprehensive bill reported out by the Environment and Public Works Committee, would reduce the deficit by about \$21 billion between 2010 and 2019.<sup>6</sup>

### THE ACELA BILL COULD INCREASE EMISSIONS AND CAUSE ENVIRONMENTAL DAMAGE

#### 1. Transmission capacity expansion could increase reliance on dirty power plants in the absence of limits on carbon emissions.

We do need to expand the capacity of the nation's electricity transmission system to move clean power from where it can be generated most easily to where it is most needed. The transmission provisions of ACELA on their own, however, could lead to more, not less, global warming pollution by encouraging increased construction and utilization of high-carbon coal-fired power plants. For example, the Joint Coordinated System Plan study of the Eastern Interconnect found that expanding transmission in the absence of policies to limit carbon pollution would result in construction of 76 GW of new coal-fired power plants by 2024, while only 11 GW of new coal would be built if renewables were aggressively deployed.<sup>7</sup> *This difference between the two scenarios represents an emissions increase of about 300 million tonnes by 2020.*<sup>8</sup>

#### 2. ACELA could increase emissions from dirty fuels.

Section 526 of the 2007 Energy Independence and Security Act prohibits the federal government from procuring fuels that are dirtier than conventional fuels. ACELA would significantly weaken Section 526 by creating an exemption that would allow fuels that are made in whole or in part from high-carbon unconventional petroleum sources to be used under many circumstances. The U.S. Air Force currently has goals to procure about 400 million gallons of synthetic jet fuel by 2016. *If dirty fuels are used instead of conventional ones to meet the Air Force goal, emissions could increase by 5-10 million tonnes.*

#### 3. ACELA lacks provisions to limit environmental damage from energy transmission.

ACELA gives the federal government additional powers to site transmission lines, but fails to include protections for sensitive lands, fish and wildlife habitat, and other natural and cultural resources. Current law has proven inadequate to that task. Also, ACELA allows revenues from wind and solar generation on federal lands to go into the General Fund rather than directing them to natural resource management and conservation.

ACELA would also expand oil and gas development in a way that would increase carbon emissions and natural resource destruction. The bill promotes OCS oil and natural gas drilling by authorizing funding for seismic inventories of oil and natural gas resources. The bill would also allow oil and gas drilling in federal waters only 45 miles from Florida's shore and would open the Destin Dome, located a mere nine miles from Florida's coast, to gas extraction.

## An Energy Bill Without a Carbon Cap Could Do More Harm than Good

### ACELA'S CLEAN ENERGY PROVISIONS DO NOT CUT POLLUTION ENOUGH TO PROTECT OUR CLIMATE

Even the provisions in ACELA that could lead to advances in energy policy fall short of what could be done to create a clean energy economy.

#### 1. Investment in clean energy deployment

ACELA establishes the Clean Energy Deployment Administration (CEDA) to provide financial support for the deployment of clean energy and energy efficiency. CEDA could provide helpful support to commercialize emerging technologies. CEDA would also help create a robust private market to finance building energy efficiency projects. But CEDA fails to include safeguards to ensure that it does not provide aid for technologies that already exist. This not only means that taxpayers would be subsidizing technologies that do not need federal help, it means that money would be diverted from new, clean technologies to older technologies that are dirty or raise environmental issues. For example, conventional nuclear power and liquid coal projects could get CEDA funding under the current language.

#### 2. Energy efficiency provisions

ACELA includes a number of important energy efficiency provisions. Stronger efficiency provisions could do even more to drive down energy prices, reduce the need for new power plants, and cost-effectively cut carbon emissions. The bill establishes national energy efficiency savings targets for commercial and residential building codes, new appliance and equipment efficiency standards, and incentives for building energy retrofits. The bill could be strengthened by the addition of such measures as an Energy Efficiency Resource Standard, which would require utilities to reduce demand for electricity through efficiency improvements.

#### 3. Renewable electricity standard (RES)

ACELA requires utilities to obtain a percentage of their electricity sales from renewable energy or energy efficiency improvements starting with 3 percent in 2011 and increasing to 15 percent by 2021. But the provision is far weaker than it appears because the percentages are calculated in such a way that nuclear power, carbon storage, large hydro, and energy efficiency all can help a utility meet the requirement. According to an analysis by the Union of Concerned Scientists, actual renewable energy required by the RES in 2021 would be between 7.4 and 10.7 percent, which is about the same as (if not less than) business as usual. The purpose of an RES should be to increase renewable energy; ACELA's provision would not serve that purpose.

### THE BEST SOLUTION IS TO STRENGTHEN ACELA AND COMBINE IT WITH GLOBAL WARMING POLLUTION LIMITS

While ACELA does include a number of good clean energy provisions, they don't get us anywhere close to reducing emissions by 2 billion tonnes in 2020. And because of the provisions discussed above, ACELA could actually result in a net increase in global warming pollution. Congress should pass comprehensive clean energy and climate legislation that caps carbon and includes smart complementary policies to cut pollution while creating clean energy jobs and improving our security.

<sup>1</sup> This assumes up to 160 million tonnes in 2020 from the Clean Energy Deployment Administration and 100 million tonnes from a variety of energy efficiency provisions. The estimates for the energy efficiency provisions are in ACEEE, *Savings Estimates for the American Clean Energy Leadership Act of 2009*, Nov. 11, 2009, [http://www.aceee.org/energy/national/ACELA\\_Savings\\_Estimates1113.pdf](http://www.aceee.org/energy/national/ACELA_Savings_Estimates1113.pdf)

<sup>2</sup> Senator Jeff Bingaman, "ACELA Fast-Tracks Jobs," Nov. 5, 2009. Available at [www.energy.senate.gov](http://www.energy.senate.gov)

<sup>3</sup> David Roland-Holst and Frederick Kahrl, et al., *Clean Energy and Climate Policy for U.S. Growth and Job Creation*, Oct. 25, 2009. Available at [are.berkeley.edu](http://are.berkeley.edu)

<sup>4</sup> Advanced Resources International, *Storing CO<sub>2</sub> and Producing Domestic Crude Oil with Next Generation CO<sub>2</sub>-EOR Technology*, Report Department of Energy/National Energy Technology Laboratory-2009/1350, Jan. 9, 2009.

<sup>5</sup> NRDC, *A Clean Energy Bargain*. <http://www.nrdc.org/globalWarming/cap2.0/bargain.asp>

<sup>6</sup> Both estimates are available at [www.cbo.gov](http://www.cbo.gov)

<sup>7</sup> Joint Coordinated System Plan 2008. <http://jcspsstudy.org/> The study did not model the specific language in ACELA, but rather analyzed one scenario without carbon constraints and one that required 20 percent of generation to come from wind by 2024.

<sup>8</sup> Assumes 50 GW of additional coal-fired power is in service by 2020 with an emissions rate of 6 million tonnes/GW-yr.

