

Emissions Caps/Targets Amendment

- As I stated yesterday, I have serious concerns about the stringency of the emissions reductions in the Lieberman-Warner “Climate Security Act.”
- There is great concern in the industrial, electric, and general business sectors that these emissions levels are unattainable without serious demand destruction in the form of lost jobs and production in the U.S. that would result from higher cost.
- If we do not set the emissions caps at a reasonable level, the supply and demand situation set up under a cap-and-trade program will impose high costs by definition.
- I intend to propose an amendment to substitute the Bingaman-Specter (S. 1766) emissions limits in place of the Lieberman-Warner limits.
- This will more closely align technology development with the emissions reduction targets.
- In my view, the most important thing our nation can do is start a mandatory climate change reduction program as soon as possible.
- If we wait until there is consensus among important stakeholders from both sides of the equation, we will lose another year or two or three that we frankly do not have.

Emissions Targets/Caps

Lieberman-Warner	Bingaman-Specter
2012 – cap at 2005 level	2012 – cap at 2012 level
2020 – 15% below 2005 (1990 levels)	2020 – cap at 2006 level
2030 – 30% below 2005	2030 – cap at 1990 level
2050 – 70% below 2005	2050 – $\geq 60\%$ below 2006 contingent on international effort

Cost-Containment Safety-Valve Amendment

- Senator Bingaman and I worked very hard to find the right balance between starting the U.S. on an emissions reduction path, but protecting the economy;
- We are talking about taking unilateral action on a global problem – reducing concentrations of greenhouse gases in the atmosphere;
- We cannot solve this problem alone and until a comprehensive international agreement is in place, the U.S. remains at risk of competitive disadvantages.
- If some proponents of climate change legislation are correct in their predictions, the cost of domestic action on the problem will not be high.
- However, if costs are above what Congress determines in unacceptable, there must be an adequate mechanism to keep the program in line with what the U.S. economy can handle;
- I intend to offer an amendment to include the so-called “safety valve” or Technology Accelerator Mechanism that was included in the Bingaman-Specter bill;
- That provision states that if the price for an allowance for each ton of greenhouse gas (Carbon Dioxide equivalent) being traded on the open market reaches a certain level, then regulated entities have the option of purchasing additional allowances directly from the government at a set price;
- Specifically, we set the price at \$12 per ton, rising 5% over inflation annually;
- This protects the economy, while still sending the necessary price signal to industry that there is an escalating price to carbon that must be factored in investment decisions;
- I am open to a debate about the appropriate level at which to set such a safety-valve;
- Unfortunately, opponents of this provision have flatly attacked it without addressing the question of what an appropriate price trigger would be;
- I was very glad to hear Chairman Boxer state on the Senate floor yesterday thanking Senator Bingaman and I for our proposal on this subject. She described it as “what I thought was a very important off ramp. The one thing I didn’t agree with them on is the price they picked for the price of carbon.”
- I hope this is an indication that we can finally have a legitimate debate about this important protection for the U.S. economy and consumers.
- While Senator Boxer inserted a new “cost containment auction,” I believe the new cost containment provisions require extensive review and a true safety-valve should be added.
- Senator Warner provided leadership in adding provisions to empower the President to alter the program, but I fear this still provides too much discretion and would potentially be used after adverse effects have already happened.

International Competitiveness Amendment

- Senator Bingaman and I included key international provisions in our bill. These provisions were based on a proposal from American Electric Power (AEP) and the International Brotherhood of Electrical Workers (IBEW).
- Senators Lieberman and Warner included our provisions in their legislation as well;
- The purpose of these provisions is to ensure that greenhouse gas emissions occurring outside the U.S. do not undermine our efforts to address global climate change and we further want to encourage effective international action.
- As first introduced, if eight years after the enactment of the U.S. program, it is determined that a given major emitting nation has not taken comparable action, the President at that time is authorized to require that importers of greenhouse-gas-intensive manufactured products (iron, steel, aluminum, cement, glass, or paper) from that nation submit emissions credits of a value equivalent to that of the credits that the U.S. system effectively requires of domestic manufacturers.
- I testified before the Senate Finance Committee on February 14th of this year on these provisions. It is my view that since the provisions treat imports the same as domestic products, I believe they are compliant with GATT and would survive a WTO challenge.
- Now, I understand that modifications of this proposal are found in the Boxer substitute.
- As my staff and various industries review the language, there remain concerns that the provisions may still require changes to ensure their effectiveness;
- Specifically, I am considering offering an amendment to:
 - Address the standard used to determine if our trading partners are taking “comparable action”;
 - Restrict an Administration’s ability to simply waive requirements on importers;
 - Bring the compliance date in line with the start of the program (ie. 2012, rather than 2014 in the new version – changed from 2020 in the original);
 - Revise provisions added for “downstream” products that may ironically result in exempting the “upstream” inputs like steel; include all countries, not just large emitters; and equalize the ability of U.S. and foreign entities to purchase international allowances to meet the requirements.

Process Gas Emissions Amendment

- It is my understanding that some emissions resulting from production of energy-intensive manufacturers like steel and cement would be exempted because there is no feasible technological alternative;
- For example, the use of carbon is irreplaceable to the processes and the metallurgical reactions necessary to produce virgin steel. Carbon, in the form of coal or coke, is used as a reducing agent to strip oxygen molecules from iron ore, producing iron, the basic building block of steel, and carbon dioxide. Without carbon there can be no steel.
- Without this exemption, given current technology, the only way to substantially reduce emissions in the integrated steel industry is to reduce production and employment.
- Cooperative efforts are underway between the steel industry and the U.S. Department of Energy to find technologies to produce steel with far less carbon emissions, but they are far from commercial viability.
- I intend to offer an amendment to clarify that process gases for which there is no technological alternative will not be counted in a company's annual requirement to submit emissions allowances.
- This exemption will only impact a very small percentage of U.S. emissions, but will protect an essential industry that will play a major role in the energy sector expansion that would result upon passage of this bill or even in its absence given rising energy demand.

Pathway to the Future for Coal Amendment

- I am considering offering an amendment to address the serious shortcomings in the Lieberman-Warner bill in terms of providing a pathway to the future for coal;
- I am concerned that the bill does not provide sufficient funding or incentives for carbon capture and storage (CCS) and advanced coal technologies;
- It is my understanding that the Boxer substitute replaces the original Lieberman-Warner advanced coal research program with a “kick-start program” that dramatically cuts carbon capture and storage technology funding. According to the National Mining Association, the substitute provides 85% less funding through 2030 for advanced coal and sequestration development, and eliminates all funding for carbon storage demonstration projects.
- Without adequate funding for these priorities, the result is likely to be severe reductions in U.S. coal use – America’s most abundant energy resource.
- Further, the substitute dramatically reduces the number and rate of bonus allowances for CCS deployment from the previous Lieberman-Warner bill. The Bingaman-Specter bill was the first to create this incentive for early deployment of carbon capture and storage technologies. I am told the substitute reduces CCS bonus allowances 19% through 2030 compared to levels in Lieberman-Warner which were already insufficient.
- Broadly, the Boxer substitute fails to harmonize the timeline for emission reductions with the availability of commercially deployed technologies necessary to reduce emissions.
- I look forward to working with my colleagues and the coal industry to find the right balance between imposing a mandatory cap on carbon emissions while ensuring the future of coal.
- Some issues we need to consider are:
 - Providing technology funding and incentives;
 - Adding a carbon dioxide storage liability framework;
 - Adding a safety-valve;
 - Aligning emissions caps/targets with technology;
 - Improving allocations;
 - Address duplicative State programs; and others.