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Climate Bill Is a Misnomer: It's a Nuclear Energy-Promoting, Oil Drilling Championing, Coal Mining-Boosting Gift to Polluters

Statement of Tyson Slocum, Director of Public Citizen's Energy Program

After half a year of delay, Sens. John Kerry and Joe Lieberman are set to release their nuclear energy/cap-and-trade bill today. Until we see legislative text, we can comment only on the broad outline made available yesterday and an additional summary being circulated among legislative staff.

It's not accurate to call this a climate bill. This is nuclear energy-promoting, oil drill-championing, coal mining-boosting legislation with a weak carbon pricing mechanism thrown in. What's worse, it guts the Environmental Protection Agency's (EPA) current authority to regulate greenhouse gases as pollutants under the Clean Air Act.

Here's our take on what we know is in the new bill:

Nuclear Power Incentives

At its core, this legislation is all about promoting nuclear power and handing taxpayers the bill. Consider:

- Sections 1101 and 1105 would prioritize the needs of nuclear power corporations over the rights of citizens to have full, public hearings about the risks and dangers of locating nuclear power plants in their communities.
- Section 1102 increases loan guarantees primarily for nuclear power to a jaw-dropping \$54 billion. These loans are a terrible deal for the taxpayer, especially considering the high risk of default that even the government acknowledges.
- Section 1103 provides \$6 billion in taxpayer-subsidized risk insurance for 12 new nuclear reactors.
- Section 1121 allows nuclear power plant owners to write off their depreciation much faster. Section 1121 provides a 10 percent investment tax credit for new reactors.
- Section 1123 extends the Advanced Energy Project credit to nuclear reactors.

- Section 1124-6 allows municipal power agencies to derive certain tax, bond and grant benefits from investing in nuclear power.

Oil

Apparently oblivious to the [ongoing disaster in the Gulf of Mexico](#), the legislation expands offshore drilling. In fact, all new offshore drilling, leasing and permitting should be halted.

Section 1202 allows states to keep 37.5 percent of oil and gas royalty money. That's like saying because more rich people live in California and New York compared to Mississippi and New Mexico, those higher-income states should be able to keep more federal dollars raised from income taxes. Royalty revenue sharing is patently unfair – especially because the disaster in Gulf shows that an oil spill does not respect state boundaries.

Coal

Section 1412 establishes a carbon tax paid by ratepayers and collected by utilities to fund carbon capture and storage (CCS) – with no money allocated to rooftop solar or energy efficiency investments. Section 1431 will provide valuable emission allowances for free to coal utilities pursuing CCS – an untested, risky strategy that benefits the coal industry and is gobbling up a lion's share of subsidies that otherwise could go to renewable energy development.

Merchant coal power plants (whose rates are not regulated) will get roughly 5 percent of the free allowances, which will provide opportunities for them to gouge consumers.

And while the nuclear and coal industries will receive a lot of taxpayer money and loan guarantees, Section 1604 states that “voluntary” renewable energy markets are “efficient and effective programs” and states that “the policy of the United States is to continue to support the growth of these markets.” This is backwards: renewable energy should be getting the guarantees, rather than the coal and nuclear industries.

Offsets

The legislation allows for entities to “reduce” their domestic greenhouse gas emissions by purchasing offsets from projects located in the U.S. and around the world. The recent offset crisis in Europe, where the offset market collapsed due to fraud, underscores the lack of accountability and transparency with offsets.

Consumer Protections

Rather than follow President Barack Obama's cap-and-dividend plan, which would have required polluters to pay and distributed 80 percent of the

money directly to families through the Making Work Pay tax credit, or the Cantwell-Collins CLEAR Act, which calls for distributing monthly checks to households, the Kerry-Lieberman approach relies on distributing valuable free allowances to utilities from 2013–2029, then requiring that utilities use the money “exclusively for the benefit of the ratepayers.” But Congress won’t be defining “benefit”; rather, 50 different state utility commissions will. Some will do a great job, but most will allow utilities to structure expensive energy efficiency programs that benefit shareholders more than ratepayers.

Wall Street

It appears that Wall Street may not have gotten everything it wanted – yet. The legislation appears to incorporate elements of S.1399, which creates an Office of Carbon Market Oversight at the Commodities Futures Trading Commission (CFTC), giving the agency authority to regulate spot and futures emission markets. It requires all entities seeking to trade emissions derivatives to register and be approved by the CFTC, and all transactions must be cleared through a CFTC-regulated Carbon Clearing Organization. This is a good start to ensure that Wall Street plays no role in gambling on climate policy.

Danger remains, however, in creating carbon trading markets open to non-energy producers. Strong regulations in place today may be easily subverted tomorrow, leaving Wall Street positioned to control our climate future.

The Kerry-Lieberman bill represents a missed opportunity. By meeting behind closed doors, the lawmakers empowered corporate polluters to play an oversized role in influencing the legislation to the detriment of the climate and consumers. Barack Obama had it right when he successfully campaigned on a theme of making polluters pay and delivering benefits directly to households.

We need a bill that does not incentivize failed and dangerous technologies like nuclear power and does not enrich utilities at the expense of consumers.

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