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Climate Bill Provision Could Lead to Inequities

■ Critics question fairness of IOU-backed formula to allocate emissions allowances.

By Steven Johnson

As Congress returns from its Memorial Day recess, it will take the next steps on a climate change bill that co-op leaders charge sets up an unfair system that could lead to millions of consumers subsidizing the electricity bills of others.

Under the legislation, adopted May 21 by the House Energy and Commerce Committee, some free, tradable permits to emit carbon could end up in the hands of local distribution companies whose energy has little or no carbon content.

That's because a formula in the bill to allocate those permits, known as allowances, is based not solely on companies' carbon emissions, but gives heavy weight to their electricity sales.

NRECA CEO Glenn English said the allocation formula, adopted by the committee with strong support from IOU interests, represents a major flaw, and he called on co-op members to voice their concerns to elected officials.

"This is a pocketbook issue that begs the question of whether Congress should take away these important allowances from Middle America that needs them to keep down the cost of electric bills," he said.

The bill, written by Reps. Henry Waxman, D-Calif., chairman of the energy panel, and Edward Markey, D-Mass., sets aside 35 percent of all

emissions allowances for the electric utility industry.

Five percent of those would go to unregulated merchant coal plants, operated by companies such as NRG Energy and Peabody, and holding companies which own IOUs and are members of the Edison Electric Institute, a strong proponent of the formula.

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The remaining permits would go to local distribution companies, such as distribution co-ops, according to a formula based on 50 percent of annual carbon dioxide emissions, and 50 percent of electricity sales.

English said allocating emissions allowances partially on the basis of sales makes no sense and could create major regional inequities, based on the fuel mix in a particular state or area.

"The committee adopted the formula developed by big investor-owned power companies, but that formula does not treat electric co-op consumers fairly," English said.

Preliminary analysis by NRECA's Strategic Analysis Unit indicates

there are huge differences in allocating emissions partly by sales, as the IOUs prefer, instead of allocating them by emissions.

"Giving away half the allowances regardless of carbon content means some areas with more fossil-fuel resources will be subsidizing consumers in places like Massachusetts," said Kirk Johnson, NRECA vice president for environmental policy.

English said the Our Energy, Our Future program, which has bombarded Capitol Hill with more than 2.1 million e-mails, will be employed to ensure elected officials allocate allowances in a fairer manner.

"This is about protecting families and small business, and not selling them out to provide a windfall to some other part of the population," he said.

"The message is: 'Don't give away my allowances to someone who does not need them.' Allowances should be about helping people avoid financial pain, not about redistributing wealth."

Meanwhile, the bill has been referred to eight committees in the House.

The biggest hurdle appears to be in the Agriculture Committee, where Chairman Collin Peterson, D-Minn., has vowed to squash the bill without major changes in the way greenhouse gas emissions from bio-fuels production are calculated. □

