



## Waxman-Markey American Clean Energy and Security Act of 2009

Posted by [Gail the Actuary](#) on April 4, 2009 - 10:50am

Topic: [Policy/Politics](#)

How does one address energy issues and climate change? Last week, the Democrats unveiled a draft version of proposed legislation, called the "American Clean Energy and Security Act of 2009" (ACES), sponsored by representatives Henry Waxman (D-CA) and Ed Markey (D-MA) ([download here](#)). This legislation is praised by environmental groups, but is of major concern to conservative Republican groups.

The legislation has four titles:

**Title 1: Clean Energy** - Includes a Renewable Energy Standard that would require 6% of electricity come from renewable fuels by 2012, and 25% by 2025, but this obligation can be met by buying Renewable Energy Credits. Also includes Carbon Capture and Storage incentives, carbon standard on liquid fuel (encouraging cellulosic ethanol), assessments on electricity generated from fossil fuels, and requirements that utilities plan for smart grid and electrical vehicle recharging.

**Title 2: Energy Efficiency** - Sets higher energy efficiency standards for buildings, lighting, and appliances. Also encourages efficiency by utilities and by industry.

**Title 3: Reducing Global Warming Pollution** - Sets goals of reducing global warming gases by 20% below 2005 in 2020; 40% below 2005 in 2030; and 83% below 2005 in 2050. Also includes Cap and Trade program, with parameters not yet specified.

**Title 4: Transitioning to a Clean Energy Economy** - Authorizes programs that may later be funded, including rebates to energy intensive industries (like cement and steel) which are essential but would suffer from competition under this legislation.

Below the fold I talk a bit more about what is likely ahead, and what surveys indicate of current public attitudes on related subjects.

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### Cap and Trade

One of the big new items in this legislation is the introduction cap and trade with respect to carbon emissions. In the draft that was introduced this past week, details were not spelled out very clearly. Regarding what little is included, the [Oxdown Gazette](#) makes the following comments:

Critically, the section on global warming, Title III, fails to address how allocations for

greenhouse gas emissions allowances would be distributed. Joseph Romm, the blogger, physicist and climate expert who blogs at ClimateProgress.org, gives the bill a B+ overall, but notes that the energy provisions are significantly stronger than the climate sections. Natasha Chart seems to agree, calling it "a better job creation engine than a truly climate-friendly policy". Romm explained the significance of the draft's failure to address allowance allocation to me via email:

The danger in not specifying how allowances are allocated is that you don't have revenues to return to consumers as tax cuts. From a policy perspective, you need to auction the vast majority of the permits, and ultimately auction all of them. From a political perspective, you need to do what Obama proposes, give the vast majority of the revenues back to the public, so they are held harmless (or, in fact, do better than break even because they can adopt efficiency measures). From a messaging perspective, giving the money back to the public is the key to undermining the "biggest tax" argument.

The bill also includes a major disappointment on offsets, or as Romm calls them, rip-offsets. Jesse Jenkins, a leader of the youth climate movement who blogs at Watthead, emailed me a sharp explanation of the problem with the offset provision in Title III:

As expected, the Markey-Waxman discussion draft includes several provisions to contain the costs of compliance including a heavy reliance on up to two billion metric tons of offsets, or enough to allow almost a third of all emissions permits required under the climate regulations to be swapped for offsets.

Allowing that many offsets pokes a giant hole in the carbon cap, stuffs it with plenty of hot air, guts the carbon price signal for sectors we actually need to transform and - most importantly - robs us of billions of dollars of auction revenue that can and should be reinvested to accelerate and smooth the transition to a clean energy economy.

## What is Ahead?

The release of this draft legislation is just the beginning of a long process. Hearings will be held in the House Energy and Commerce Committee starting immediately after Congress gets back from its two-week Easter break. The plan is to have a final version of the bill voted on by the committee by Memorial Day, so that it can go to the House of Representative for discussion. [According to Markey](#), this is "the beginning of an incredibly intense period of political debate in our country."

The sponsors hope to have legislation passed and signed into law before the United Nations Climate Change Conference in Copenhagen this December. This year's meeting [takes on added significance](#), since it is considered by many to be the last chance to reach a major international climate agreement before the 2012 expiration of the Kyoto Protocol.

## Public Opinion Surveys

An organization called Public Agenda released a report on April 3rd called [Americans Support Wide Array of Proposed Energy Policies, but Not Yet Ready to Make Tradeoffs](#). This report was based on a survey of 1,001 Americans.

The kinds of policies that American's would support, according to the survey include the following:

86 percent agree that investing in alternative energy will create many new jobs (45 percent believe this strongly)

84 percent support more investment in fuel-efficient railways (47 percent strongly)

81 percent support tax rebates to individuals who reduce energy use (44 percent strongly)

79 percent support tax rebates to businesses (41 percent strongly) who reduce energy use

78 percent want higher gas-mileage requirements for cars (50 percent strongly)

74 percent say developers should be required to build more energy-efficient homes (32 percent strongly)

73 percent support tax credits to purchasers of hybrid automobiles (38 percent strongly)

72 percent want to reward businesses that reduce carbon emissions and penalize those that don't (37 percent strongly)

71 percent agree that more tax money should be spent on public transportation (33 percent strongly)

68 percent want the nation to take steps to gain energy independence even if it raises energy costs (24 percent strongly)

Americans are not willing to pay much for this, however. According to the report:

By contrast, majorities oppose measures that would force change by increasing the cost of driving, such as setting a "floor" on gasoline prices (72 percent, with 58 percent strongly opposed), congestion pricing (61 percent, 41 percent strongly) and higher gas taxes. Some 57 percent reject a gas tax even when if it would be used to achieve energy independence, with 37 percent strongly opposed.

One thing that is clear from [this survey](#) is that Americans are **not very knowledgeable** about the issues.

When asked to name a fossil fuel, 7% gave a wrong answer, and 32% said they did not know,

When asked to name a renewable energy source, 21% gave a wrong answer, and 30% said they did not know, making a total of 51% who did not know.

With respect to climate change, 52 percent said that reducing smog the United States has gone “a long way” in reducing global warming; another 12 percent were unsure if this was true or false. Since reducing smog has nothing to do with reducing global warming (if anything, it has the opposite effect, by removing "global dimming"), a total of 64% were incorrect on this answer.

## My Views on Where the Legislation Is Headed

As I see it, there are two main groups who will support the legislation in its strongest form:

- (1) Those who are very concerned about climate change
- (2) Those who feel that they can make money from some aspect of the legislation (cap and trade; renewable energy, energy efficiency, carbon capture and storage, cellulosic ethanol, etc.)

In order to get support of the general population, it seems to me that costs paid by the consumer (electricity, gasoline) are going to have to be kept close to their current level. This means that if a cap and trade mandate is passed, the cost of carbon emissions in the cap and trade program will need to be kept low, perhaps with the idea of raising them in the future. This is likely to greatly reduce the effectiveness of the cap and trade program.

I think that there will also be a temptation to fill the bill to with lots of subsidies, but not much of a way to pay for them. This will ensure support from the groups who might get the benefit of the subsidies, with few concerning themselves about the ballooning deficit. (Perhaps I am too cynical.)



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