



1Sky Analysis of S. 2877, the Cantwell-Collins “Carbon Limits and Energy for America’s Renewal” (CLEAR) Act

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This analysis covers the Carbon Limits and Energy for America’s Renewal (CLEAR) Act as introduced by Senator Maria Cantwell (D-WA) and Senator Susan Collins (R-ME).

- The bipartisan Cantwell-Collins CLEAR Act contains **many strong provisions** that other recent legislation in the House and Senate has lacked. The Cantwell-Collins CLEAR Act successfully:
 - **Eliminates Unreliable Carbon Offsets,**
 - **Limits Giveaways to Big Oil, Dirty Coal, and Nuclear Power, and**
 - **Protects the Clean Air Act.**
- The Cantwell-Collins CLEAR Act **requires substantial strengthening** in order to prevent dangerous climate change, jumpstart the clean energy economy, and seal a strong global deal. 1Sky urges Senators Cantwell and Collins to strengthen their bill to achieve:
 - **Stronger Carbon Reduction Targets, and**
 - **Guaranteed Investments in Clean Energy and Climate Programs.**

Basic Bill Architecture:

- Reduces economy-wide greenhouse gas emissions 1-5% below 2005 levels by 2020 via a cap that reduces fossil fuel CO₂ emissions 5-9% below 2005 levels by 2020. The cap on fossil fuel CO₂ covers 81% of the economy. In addition to a cap, the bill includes mechanisms that allow for additional reductions if Congress chooses to regularly appropriate funds for carbon reduction projects.
- Each year, polluters will need to purchase one permit for every ton of carbon pollution they emit. Carbon pollution permits are sold to polluters via an auction starting in 2012.
- 75% of the revenue from the auction of carbon permits is returned directly to residential energy consumers via monthly per capita “dividends” to offset the higher price of fossil fuel energy, especially for low-income individuals who spend less money on energy. These “dividends” would be transferred electronically each month to all legal residents of the U.S.
- 25% of the revenue is subject to annual appropriations from Congress via a newly established “CERT” fund (Clean Energy Reinvestment Trust). Each year, Congress can choose to appropriate CERT fund revenue to invest in a number of eligible projects, including: clean energy programs, additional emissions reductions beyond the cap, trade-exposed industries, international climate programs, targeted assistance for carbon-intensive regions, and deficit reduction.

Key Achievements:

Eliminates Unreliable Carbon Offsets

- Cantwell-Collins succeeds at ensuring that unreliable carbon offsets are not used in place of domestic reductions in fossil fuel consumption. By eliminating offsets from the carbon market, the bill guarantees incremental reductions in fossil fuel consumption here in the U.S., driven by investments in clean energy and energy efficiency.
- 1Sky has expressed concerns that the Kerry-Boxer bill, S.1733, and the House-passed Waxman-Markey bill, H.R. 2454, allow very high levels of carbon offsets. 1Sky supports direct investments in emissions reductions outside the cap rather than offsets because such additional investments in projects such as avoided tropical deforestation are not substituted for domestic reductions in fossil fuel consumption. If offsets are allowed, they should be strictly limited and comply with strict quality and additional criteria, especially offset credits for land use changes.

Limits Giveaways to Big Oil, Dirty Coal, and Nuclear Power:

- Cantwell-Collins succeeds at making sure that polluters take responsibility for their pollution. Polluters must be held accountable for their pollution without receiving handouts or giveaways in return.

- Revenue from valuable pollution allowances should support clean energy and energy efficiency projects that create more jobs and save consumers more money than unwarranted public investments in fossil fuel infrastructure or nuclear power.

Protects the Clean Air Act

- Like the Kerry-Boxer bill, Cantwell-Collins allows the Clean Air Act to continue necessary regulation of big polluters that would complement a cap on carbon. The Clean Air Act includes key provisions that are crucial for ending the construction of new dirty coal plants that use outdated technology and ensuring that the oldest, dirtiest coal plants reduce their global warming pollution.

Areas for Improvement:

Stronger Carbon Reduction Targets

- Cantwell-Collins will achieve economy-wide carbon cuts of at least **1-5% below 2005 levels by 2020** (10-16% above 1990 levels), by reducing fossil fuel CO₂ emissions 5-9% below 2005 levels by 2020. In addition to a mandatory cap, the bill includes a non-binding economy-wide goal of achieving 20% reductions below 2005 levels by 2020, and relies on the annual appropriations process to ensure that goal is met. These especially weak short-term carbon reductions fall well short of the aggregate reductions achieved by other climate bills, and are far less ambitious than the measures needed to prevent dangerous climate change and seal a strong global deal.
- The cap will reduce fossil fuel CO₂ emissions by 5% below a 2012 baseline by 2020, and that target covers approximately 81% of the economy. The reductions achieved by the bill are dependent on projected 2012 CO₂ emissions. Recent forecasts from EIA¹ suggest that the Cantwell-Collins bill will achieve a 4-5% economy-wide cut in emissions by 2020 (8-9% for CO₂ only), while slightly older emissions projections from the EPA² (used in WRI analysis³) suggest that Cantwell-Collins would only achieve emissions reductions of 1% below 2005 levels by 2020 (1% for CO₂ only). Overall, these carbon cuts are equivalent to 1-5% below 2005 levels across the entire economy, and 5-9% cuts in CO₂ from fossil fuels specifically
- Additional reductions beyond the cap are possible via investments from the CERT fund, but those investments would be subject to annual appropriations, and therefore not guaranteed. EPA data suggests that about one third of CERT fund revenue would need to be allocated to such projects in order to meet the 20% goal laid out in the bill. If the necessary funding for these additional reductions were to be guaranteed, such additional investments outside the cap would be far superior to carbon offsets.
- By 2050 Cantwell-Collins will reduce economy-wide greenhouse gas emissions 63-67% below 2005 levels (57-62% below 1990 levels) via a cap that reduces fossil fuel CO₂ emissions 82% below a 2012 baseline, the equivalent of 81% below 2005 levels.
- 1Sky urges Senators Cantwell and Collins to consider much stronger mandatory cap targets: at least 20% below 2005 levels by 2020 and language ensuring that additional reductions will be achieved via guaranteed investments outside the cap.

Guaranteed Investments in Clean Energy and Climate Programs

- Cantwell-Collins does not guarantee public investments in clean energy and climate programs. The CERT fund could potentially invest much-needed public capital in emerging clean energy industries. However, with the CERT fund linked to the annual appropriations process there is no guarantee for climate advocates or the business community that such investments will be made regularly or made at all.
- Climate legislation should maximize investments in programs that deliver clean energy, create green jobs, and train workers to fill them. A comprehensive bill must also guarantee success on the international stage, which will require substantial funding for climate adaptation, avoided deforestation, and clean energy technology cooperation.
- 1Sky recommends removing clean energy and climate programs from the appropriations process, and maximizing investments in such programs.

Other Major Provisions:

- **Strong Market Oversight** - Cantwell-Collins imposes thorough restrictions on primary and secondary carbon markets. Only fossil fuel producers and importers can purchase or trade carbon shares, and they are prohibited from participating in a derivatives market. 1Sky supports strong market oversight that cuts down on speculation, market manipulation, and price volatility.
- **Provisions for Adjusting the Carbon Cap** - Cantwell-Collins includes “fast track” provisions for altering the carbon cap that allow the President to strengthen or weaken the carbon cap targets with “simple majority” (i.e. filibuster-proof) votes in both the Senate and House. The cap targets may be adjusted by this procedure, but the price collar may not. 1Sky is supportive of provisions that allow for strengthening the cap in line with what the latest science demands, but we are wary of the potential for these “adjustment” provisions to weaken the cap as well.

¹ <http://www.eia.doe.gov/oi/af/aeo/index.html>

² Environmental Protection Agency, “EPA Analysis of the Waxman-Markey The American Clean Energy and Security Act of 2009 as Reported”, (Washington, DC: June 2009).

³ <http://www.wri.org/publication/usclimatetargets>

- **Trade-vulnerable Industry Provisions:** Cantwell-Collins establishes an immediate “carbon tariff” to shield trade-vulnerable U.S. industries from carbon-intensive international competition.
- **Price Collar with “Safety Valve:”** Establishes a price floor of \$7 and a price ceiling of \$21, with each increasing over time. If the price of carbon allowances rises above the ceiling price, the result would be a “broken” cap. Each additional allowance auctioned at the ceiling price represents an extra ton of carbon pollution emitted beyond what is allowed by the cap. Extra revenue generated after the cap is “broken” is directed specifically toward additional carbon reduction projects to help maintain the integrity of the program. These extra revenues would also be subject to the annual appropriations process.
- **Deficit Reduction:** Congressional Budget Office (CBO) scoring protocols dictate that climate bills with guaranteed investments in clean energy and climate programs must devote a substantial portion of allowance revenue to deficit reduction. Though Cantwell-Collins has not yet been officially scored, it will likely be scored as deficit neutral because the revenue raised is subject to annual appropriations rather than being guaranteed for a set of programs.

1Sky recommends that Senators Cantwell and Collins work collaboratively with Senators Kerry, Graham, and Lieberman to create a single comprehensive climate and energy bill that:

- 1. Transitions us away from dirty fossil fuels of the past and toward the clean energy of the future:** A comprehensive climate and energy bill must leave key Clean Air Act provisions intact, thus maintaining existing mechanisms to regulate dirty coal plants. By cracking down on big polluters, the Clean Air Act will help prevent construction of new dirty coal plants that use outdated technology while ensuring that the oldest, dirtiest coal plants reduce their global warming pollution. To date, no Senate climate bill introduced in this Congress interferes with the Clean Air Act’s ability to hold big polluters accountable for their pollution.
- 2. Takes serious steps to cut global warming pollution as soon as possible:** We must cut carbon pollution from fossil fuels at least 20% by 2020 by including these goals in a *mandatory cap* on emissions. In order to achieve real cuts and avoid complex regulation, unreliable offsets should be strictly limited, or eliminated as they are in the Cantwell-Collins CLEAR Act.
- 3. Creates millions of clean energy jobs by investing in a clean energy future:** Public funds should be invested in new job-creating clean energy technology, not given away for free to bail out big polluters like old dirty coal plants and oil refineries. Eliminating giveaways to dirty industries is an important achievement of the Cantwell-Collins CLEAR Act; at the same time, comprehensive clean-energy and climate legislation should maximize investments in programs that deliver clean energy, create green jobs, and train workers to fill them. A comprehensive bill must also guarantee success on the international stage, which will require substantial funding for climate adaptation, avoided deforestation, and for clean energy technology cooperation, provisions that Senator Kerry championed in the Clean Energy Jobs and American Power Act.

1Sky is a collaborative national campaign for strong federal action to tackle global climate change and invest in building the clean energy economy of the future. As one of the largest national campaigns in the country, 1Sky combines the force of over 545 allied organizations, 3,400 volunteer Climate Precinct Captains in every state nationwide, and 24 full-time organizers in 19 states working to mobilize grassroots support for strong federal climate and energy legislation.

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