



## Preliminary 1Sky Analysis of the Kerry–Lieberman “American Power Act” Discussion Draft

*Updated: 5/17/10<sup>1</sup>*

The release of the “American Power Act” (APA) by Senator John Kerry (D-MA) and Senator Joe Lieberman (I-CT) is a necessary first step toward delivering critically needed climate and energy legislation. With the true cost of our addiction to fossil fuels now appallingly visible in the Gulf of Mexico, it is absolutely critical that we put a price on carbon. Every day that we do not pass strong, comprehensive climate and energy legislation, we put our economy, our security, and our environment at greater risk. However, for this bill to ensure the support of the 1Sky network, it will need to be strengthened.

### **1Sky urges senators to make the following improvements to the Kerry-Lieberman “American Power Act”:**

- 1. Accountability for Dirty Coal:** 1Sky’s top priority is to defend the Clean Air Act’s ability to regulate dirty coal plants -- America’s largest source of carbon pollution. We are pleased to see this bill acknowledge the need to set Clean Air Act regulations for old plants and strong performance standards for new plants, but it must be strengthened to ensure swift retirements of outdated coal plants, and guarantee a moratorium on new dirty coal plants and plant expansions.
- 2. An End to Offshore Oil Drilling:** The Gulf Coast Drilling Disaster threatens to be one of the worst ecological disasters within America’s borders, yet this bill does not go far enough to protect our coasts from the ravages of offshore drilling, made so evident in the catastrophe unfolding on the Gulf coast. While the bill includes strong oil-saving measures in the transportation sector, it also includes a troubling “revenue sharing” provision that would bribe states into gambling with their coastal economies in exchange for a cut of short-lived drilling revenues.
- 3. Real Clean Energy Investments:** Redirecting the billions of dollars recruited by nuclear and coal industry lobbyists in this bill and investing them in renewable energy and energy efficiency would create more jobs, save more money, and make our nation more competitive than a politically expedient route that buys off the dirty incumbent industries of the past. Energy efficiency in particular is one of the best ways to build the clean energy economy, but the bill does not do nearly enough to advance efficiency efforts, leaving significant numbers of new jobs, real pollution reductions, and cost savings on the table.

Additionally, we are concerned that the bill indefinitely blocks states’ efforts to cap carbon, will give a blank check to unsafe and poorly planned expansions of nuclear power plants at the expense of renewable energy solutions, and that it lacks adequate investments in international action to tackle climate change.

*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 more than 600 allied organizations, 3,900 volunteer Climate Precinct Captains covering more than 390 congressional districts in 50 states, and a team of 37 including 23 organizers and regional coordinators in 21 states working to mobilize constituent support.*

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<sup>1</sup> This preliminary analysis is available online at [www.1sky.org/AmericanPowerAct](http://www.1sky.org/AmericanPowerAct). Check back for a more thorough analysis soon. For questions or more information, contact 1Sky Policy Coordinator, Jason Kowalski, [jason@1sky.org](mailto:jason@1sky.org) or 301.270.4550 ext. 233.

## Major Regulatory Provisions of the Kerry-Lieberman “American Power Act” Discussion Draft

Key Items	Selected Provisions	1Sky Goals
<b>Regulating Dirty Coal Plants</b>	<p><b>Clean Air Act Performance Standards for Coal Plants</b></p> <ul style="list-style-type: none"> <li>✓ The APA leaves key New Source Performance Standards (NSPS) intact but preempts other coal plant regulations, like New Source Review (NSR).</li> <li>✓ NSPS can be used to ensure real pollution reductions from old dirty coal plants.</li> <li>✓ However, losing NSR prevents regulations for new plants, and “modifications” of existing plants, resulting in a loophole that allows existing plants to significantly expand their capacity and therefore increase their carbon pollution without meeting modern performance standards.</li> </ul> <p><b>Other Clean Air Act Regulations</b></p> <ul style="list-style-type: none"> <li>✓ The APA eliminates additional Clean Air Act regulatory measures, just like the House-passed Waxman-Markey “American Clean Energy and Security Act” (ACES) did.</li> <li>✓ Regulations like National Ambient Air Quality Standards (NAAQS), which are eliminated in APA, are helpful backstops in the absence of climate legislation, but these authorities are less necessary if we enact a strong cap on carbon combined with performance standards for big polluters.</li> <li>✓ Like the House-passed ACES bill, the administration and states can continue to set higher efficiency standards for vehicles.</li> </ul> <p><b>Performance Standards for New Coal Plants</b></p> <ul style="list-style-type: none"> <li>✓ Any new coal plant permitted after 2009 is required to reduce 50% of their global warming pollution sometime between 2013 and 2022 – sooner if widespread carbon capture and storage (CCS) technology comes online by 2020. The backstop in the House-passed ACES bill was later, 2025. These performance standards do not apply to the expansion of existing coal plants.</li> <li>✓ Starting in 2020, performance standards require that new coal plants reduce global warming pollution at least 65%.</li> <li>✓ Performance standards may be met through biomass co-firing, natural gas retrofits, efficiency gains, or carbon capture and storage when available at the required scale.</li> </ul> <p><b>Old Coal Loophole:</b></p> <ul style="list-style-type: none"> <li>✓ The bill contains a provision allowing older plants to duck out of pollution standards so long as they are “about to retire.”</li> </ul> <p><b>Ratepayer Surcharges to Fund New Coal Plants with CCS</b></p> <ul style="list-style-type: none"> <li>✓ Adds a fee to electricity bills that will help utilities pay for new coal plants with CCS. Ratepayer surcharges amount to approximately \$2 billion per year, twice the amount charged under ACES.</li> </ul>	<p><b>Clean Air Act Performance Standards:</b></p> <p>Maintaining Clean Air Act performance standards for coal in this bill ensures a necessary mechanism to regulate dirty coal plants – the largest single source of U.S. carbon pollution. Without this complement to the cap, new clean energy deployment would be at risk. Due to new energy efficiency policies, electricity demand is predicted to flatten out in coming years and our existing fleet of old dirty coal plants is not forecasted to modernize for another 15 years or more. If left alone, these 50 to 80-year-old “clunker” coal plants could potentially “crowd out” new renewable energy deployment, resulting in fewer new clean energy jobs.</p> <p>Both this bill and the House-passed bill block Clean Air Act standards for new coal plants. This rollback creates a loophole allowing older plants to expand without meeting modern performance standards.</p> <p>Modifications to existing coal plants that result in significant increases in carbon emissions must be subject to the same performance standards as new plants. We must also ensure that the oldest, dirtiest coal plants meet modern performance standards once they reach the end of their intended lifespan in order to maximize clean energy deployment.</p> <p><b>Old Coal Loophole:</b></p> <p>1Sky finds this loophole especially egregious. Rewarding the oldest dirtiest coal plants will make it even more difficult to retire them. This provision must be removed.</p> <p><b>Ratepayer Funding For New Coal Plants:</b></p> <p>Instead of charging ratepayers or using public funds to underwrite coal plant modernization, public investment should support proven renewable energy and efficiency projects that are already commercialized, create more jobs, and save consumers more money than coal-generated power.</p>

<p><b>Offshore Oil Drilling</b></p>	<p><b>“Revenue Sharing” with States</b></p> <ul style="list-style-type: none"> <li>✓ States that allow new offshore drilling projects will be rewarded with a share of the oil revenue. This revenue would otherwise go to the federal government for the benefit of all Americans, rather than toward encouraging states to increase offshore oil drilling.</li> </ul> <p><b>New State Veto Authority</b></p> <ul style="list-style-type: none"> <li>✓ New restrictions allow states to veto new drilling projects off their shores, and off the shores of other states if studies show that potential spills would affect nearby states such as the one proposing a veto.</li> </ul>	<p><b>Offshore Drilling</b></p> <p>Incentives for states to expand offshore drilling have no place in this bill and should be eliminated. 1Sky supports an indefinite moratorium on new offshore drilling. Sacrificing public revenue to encourage drilling will not get us any closer to building a clean energy economy, but as the current drilling disaster in the Gulf demonstrates, it will inflict serious damage on coastal economies, including our \$35 billion commercial fishing and \$60 billion ocean and coastal tourism and recreation industries.</p>
<p><b>Targets &amp; Offsets</b></p>	<p><b>2020 Near-term Carbon Reduction Targets</b></p> <ul style="list-style-type: none"> <li>✓ At least 16% below 2005 by 2020 (3% below 1990 levels) from the cap on domestic carbon emissions. The House-passed ACES bill would achieve total reductions of at least 28% from 2005 levels by 2020 via a cap and complementary policies.</li> <li>✓ These reductions are achieved entirely through the cap, which is set at 17% below 2005 levels but only covers 85% of the economy. More cuts can potentially be achieved via offset substitution requirements (0-5%) and Clean Air Act performance standards for uncapped emissions starting in 2020.</li> <li>✓ Targets for cutting capped carbon emissions are equal to those used in the House bill, but economy-wide emissions reductions are far weaker (12%) than the House-passed ACES bill for a number of reasons, including rollbacks in regulations for methane sources and industrial processes (2.5% weakening), and zero guaranteed investment in reducing tropical deforestation (10% weakening).</li> </ul> <p><b>2050 Long-term Targets</b></p> <ul style="list-style-type: none"> <li>✓ At least 73% below 2005 levels total via the cap and complementary policies (68% below 1990 levels). These targets are substantially weaker than ACES due to rollbacks in methane coverage. Cap targets remain 83% below 2005 levels for both bills.</li> </ul> <p><b>International Offsets</b></p> <ul style="list-style-type: none"> <li>✓ Under APA, high levels of international carbon offsets may be purchased in place of domestic emissions reductions – up to 1 billion tons annually, 0.5 billion fewer than the maximum allowed in the House-passed bill. These offsets are paired with quality standards and regulatory requirements, including an offset substitution requirement starting in 2018, in which companies need to buy 1.25 offsets for every 1 ton of carbon pollution they choose to offset.</li> </ul> <p><b>Domestic Offsets</b></p> <ul style="list-style-type: none"> <li>✓ High levels of domestic carbon offsets may also be purchased in place of domestic emissions reductions: This bill gives the USDA authority to oversee the domestic agriculture and forestry offset programs in consultation with the EPA. The House-passed bill gave all authority over domestic offsets to the USDA.</li> </ul> <p><b>Biomass Emissions</b></p> <ul style="list-style-type: none"> <li>✓ Carbon emissions associated with biomass energy production are not accounted for in the bill. This omission could reduce the potential emissions</li> </ul>	<p><b>2020 Near-term Targets</b></p> <p>Cut carbon emissions by <b>at least</b> 35% below 2005 levels by 2020 (equivalent to at least 25% below 1990 levels), in line with the latest Intergovernmental Panel on Climate Change (IPCC) analysis. Achieving these targets will be far easier than initially expected; the most recent Department of Energy forecast for U.S. emissions in the absence of climate legislation shows that energy-related emissions in 2020 will be 1% <i>lower</i> than 2005 levels, in sharp contrast to the 17% increase forecast just two years ago. That analysis also predicts a 10.7% decline in energy-related emissions between 2005 and 2009.</p> <p><b>2050 Long-term Targets</b></p> <p>1Sky supports carbon cuts of <b>at least</b> 80% by 2050, in line with the latest IPCC analysis. More recent analysis suggests we should be aiming for 90-95% reductions by 2050.</p> <p><b>Offsets</b></p> <p>1Sky is concerned that this bill, like the ACES House bill, continues to allow very high levels of carbon offsets. Direct investments in emissions reductions are superior to offsets, which can be substituted for necessary domestic reductions in fossil fuel consumption. If offsets are allowed, they must comply with strict quality and additionality criteria, especially offset credits for land use changes. 1Sky also believes that the EPA is best-equipped to oversee a domestic offsets program, not the USDA.</p> <p><b>Biomass Emissions</b></p> <p>Biomass emissions should be accounted for on a full lifecycle basis to ensure both potential benefits and potential carbon debts are recognized. The “biomass emissions loophole” in both the House and Senate bills will encourage the use of inefficient, higher impact forms of biomass while</p>

	reductions achieved by as much as 6% by 2020.	punishing efficient, more environmentally sound biomass.
<b>Clean Energy</b>	<p><b>Transportation and Planning</b></p> <ul style="list-style-type: none"> <li>✓ States and metropolitan planning organizations are instructed to set new standards for cutting carbon emissions from the transportation sector.</li> <li>✓ APA directs states, cities, and the Highway Trust Fund to invest in transportation alternatives that reduce oil consumption, like public transit and bicycle infrastructure.</li> <li>✓ Vehicle electrification programs are authorized to begin modifying our electricity infrastructure to accommodate an increase in plug-in vehicles.</li> </ul> <p><b>Green Job Career Opportunities</b></p> <ul style="list-style-type: none"> <li>✓ APA creates targeted worker-training programs that give low-income communities access to green construction and community development jobs.</li> <li>✓ Includes funding for the Clean Energy Construction Careers Demonstration Project.</li> </ul> <p><b>Energy Efficiency</b></p> <ul style="list-style-type: none"> <li>✓ APA creates a new rural energy savings program that facilitates energy efficiency loans for rural homeowners and small businesses.</li> </ul>	<p><b>Transportation and Planning</b></p> <p>The APA is generally strong in this area, and 1Sky is supportive of extensive investments in public and carbon-free transportation options and common-sense planning initiatives that encourage smart growth, and allow local economies to thrive.</p> <p><b>Green Job Career Opportunities</b></p> <p>1Sky is very supportive of provisions that help build a more inclusive clean energy economy. These elements have the potential to build green pathways out of poverty, giving well-paid career-track jobs to communities most in need of these new opportunities.</p> <p><b>Energy Efficiency</b></p> <p>Strong efficiency standards have the potential to save our economy billions of dollars that would have been spent on fossil fuels, while also encouraging innovation and creating new jobs.</p>
<b>Nuclear Power</b>	<p><b>Giveaways to the Nuclear Industry:</b></p> <ul style="list-style-type: none"> <li>✓ APA triples nuclear loan guarantees for new reactors: from \$18.5 billion to \$54 billion.</li> <li>✓ Curtails inspections and safety regulations for new plants.</li> <li>✓ Supplies regulatory risk delay insurance for 12 plants, which will cover costs incurred due to construction delays, or to predictable grassroots opposition to new plants.</li> </ul>	<p>1Sky does not support public investment in nuclear power. Public monies should support renewable energy and efficiency projects that create more jobs and save consumers more money than investments in nuclear power would.</p>
<b>State Pre-emption</b>	<p><b>State Preemption</b></p> <ul style="list-style-type: none"> <li>✓ APA preempts state cap and trade programs indefinitely, but does not affect other state laws.</li> <li>✓ This preemption will affect programs in California, the Northeast, and other states. The APA's indefinite preemption goes beyond the year-year "timeout" in ACES.</li> </ul>	<p>1Sky supports strong federal legislation that acts as a floor to state action – not a ceiling. Stopping the states from innovating beyond the political constraints of the federal government is a bad precedent to set on an issue that requires such decisive action.</p>
<b>Market Oversight and Price Control</b>	<p><b>Carbon Market Regulation</b></p> <ul style="list-style-type: none"> <li>✓ Only first-sellers of carbon credits can trade permits, thereby eliminating secondary market forces (i.e. Wall Street), and preventing speculation and gaming.</li> </ul> <p><b>Price Collar</b></p> <ul style="list-style-type: none"> <li>✓ The bill includes both a carbon price ceiling and floor (i.e. a "collar"). The ceiling starts at \$25 per ton and the floor starts at \$12 per ton, with each rising steadily rising over time. This collar is "tighter" than ACES, meaning it has a higher floor and a lower ceiling.</li> <li>✓ Each year, the bill sets aside a small allowance "reserve" to release if the ceiling price is reached. The reserve ensures price certainty without "busting" the cap and results in additional carbon reductions beyond the cap.</li> </ul>	<p><b>Carbon Market Regulation</b></p> <p>1Sky supports strong market oversight that cuts down on speculation, market manipulation, and price volatility. An effective, high-integrity program is necessary to encourage investment in clean energy and transition us away from dirty fossil fuels.</p> <p><b>Price Collar</b></p> <p>1Sky does not support any price controls that would "bust" the cap on carbon by allowing more global warming pollution than the legislation intends.</p>

## Allocation Provisions of the Kerry-Lieberman “American Power Act” Discussion Draft

Under the APA, carbon pollution permits decline in quantity but increase in value starting in 2013. Each year, polluters will need to purchase one permit for every ton of pollution they emit. Like the House-passed ACES bill, the APA allocates these valuable pollution permits, or “allowances,” to states, administrative entities, federal programs, and the private sector. The majority of these allowances will be sold to polluters in return for revenue for the purposes identified below. The total value of the allocation pool is expected to reach about \$78 billion by 2020.

Allowance %	Major Provisions (2020 snapshot)	1Sky Goals
<b>Coal Plants and Oil Refineries</b> <b>13.25%</b>	<p><b>3.75% Oil Refineries</b></p> <ul style="list-style-type: none"> <li>✓ These allowances are given to the oil industry. Oil companies still feel the market signal of a price on carbon, but they also receive money to help offset the new costs associated with dirty carbon-based fuels. Small business refiners get a larger percentage of these allocations and additional time to comply with the cap.</li> </ul> <p><b>5.0% Coal Plant Operators</b></p> <ul style="list-style-type: none"> <li>✓ Allowances given to merchant coal and long-term power purchase agreements according to a formula developed by utilities. Utilities still feel the market signal of a price on carbon, but they also receive money to help offset the full costs associated with burning dirty fossil fuels.</li> </ul> <p><b>4.5% Coal CCS (Carbon Capture and Sequestration)</b></p> <ul style="list-style-type: none"> <li>✓ This provision gives public funding to new commercial-scale plants that use CCS technology to capture and sequester at least 50% of their carbon pollution. More funding is distributed to better-performing large-scale plants. Provides funds in advance to implement CCS on new coal-fired plants that will sequester at least 50% of their emissions.</li> <li>✓ The Senate bill allows for payments to be made to coal plant operators currently using older dirtier technology in advance of CCS technology deployment. The EPA can revoke these “advance payments” if CCS technology is not eventually installed. In the House-passed bill, coal plants do not receive payments for CCS until they can successfully capture and store their carbon emissions.</li> </ul>	<p>Valuable allowances should not be given away to polluters for free. Taxpayer monies should be invested in a clean energy transition, not spent cleaning up after polluters.</p> <p>Instead of paying utilities to build new coal plants, these valuable allowances should support renewable energy and efficiency projects that are already commercialized, affordable, create more jobs, and save consumers more money than investments in fossil fuel infrastructure. 1Sky is especially wary of “advance payments” for dirty coal plants that plan on installing CCS in the future.</p>
<b>Trade-Exposed Energy-Intensive Industries</b> <b>15%</b>	<p><b>15% Trade-Exposed Energy-Intensive Industries</b></p> <ul style="list-style-type: none"> <li>✓ These allowances are designed to prevent energy-intensive industries from simply moving their emissions abroad. Rebates are proportional to production, which encourages efficiency investments. Allocations start at 15% and decline over time.</li> <li>✓ Includes placeholder language for future border measures that would incentivize cleaner industrial processes at home and abroad, while protecting American industries from dirtier high-emissions competition overseas.</li> <li>✓ Trade-Exposed Energy-Intensive Industries include steel, glass, paper, chemicals, concrete, aluminum, and other goods.</li> </ul>	<p>1Sky supports border measures and rebates that reward efficient energy industrial processes while preventing an “export” of our emissions that could potentially result in even more emissions globally. Both output-based rebates and border tax adjustments (carbon tariffs) accomplish these goals. Output-based rebates given to trade-exposed industries should be linked with energy efficiency measures that will make U.S. companies more competitive by cutting energy costs.</p>

<p><b>Reducing Retail Energy Prices via Local Distribution Companies (LDCs)</b> 37.2%</p>	<p><b>30% Electricity Rate Reductions via LDCs (Local Distribution Companies, or Electric Utilities)</b></p> <ul style="list-style-type: none"> <li>✓ The value of these allowances is equivalent to over 75% of the carbon costs for utilities under the cap. With allowance value going to LDCs, power generators still feel the market signal of a price on carbon, but commercial and residential ratepayers are buffered from 75% of the price increase, which reduces the incentive for them to invest in cost-effective energy efficiency measures.</li> <li>✓ State-based Public Utility Commissions (PUCs) and the EPA are given the power to revoke allowances from LDCs if they do not pass the full value of these allowances to consumers through reduced electricity bills or energy efficiency.</li> </ul> <p><b>7.2% Natural Gas Rate Reductions via LDCs (Energy Providers)</b></p> <ul style="list-style-type: none"> <li>✓ The value of these allowances is equal to over half the increased costs for natural gas companies under a carbon cap. Like the electric utilities, natural gas companies will still feel the market signal of a price on carbon, but commercial and residential ratepayers are buffered from most of the price increase.</li> <li>✓ State-based public utility commissions and the EPA are given the power to revoke allowances from natural gas companies if they do not pass the full value of these allowances to consumers through natural gas bills and energy efficiency programs.</li> <li>✓ Unlike electric utilities, natural gas companies are required to dedicate one-third of their allowance value to end-use customer energy efficiency programs (see the next section summary below).</li> </ul>	<p>1 Sky strongly advocates requiring that one-third of the allowance value allocated to electric LDCs be invested in energy efficiency, consistent with the energy efficiency requirement for natural gas utilities. Such investments in energy efficiency will save consumers money, reduce the overall cost of the program, and create new jobs.</p> <p>Investing in energy efficiency, clean energy, and direct consumer rebates are all more cost-effective means of reducing energy costs for ratepayers than price manipulation via LDCs.</p> <p>Artificially lowering the cost of energy reduces incentives for private investments in energy efficiency and clean energy. Allowing a carbon price to permeate throughout the economy will produce more jobs, reduce emissions at lower net cost, and would be better on the whole for the economy. In addition, the regulatory integrity of the utility commissions overseeing LDCs varies from state to state.</p>
<p><b>Efficiency for Energy Consumers</b> 2.4%</p>	<p><b>2.4% Efficiency for Energy Consumers</b></p> <ul style="list-style-type: none"> <li>✓ These allowances help natural gas, heating oil, and propane consumers invest in efficiency measures that reduce energy consumption. These projects will save consumers money by investing in low-cost, common sense energy-saving projects.</li> </ul>	<p>1 Sky supports extensive investments in energy efficiency. Efficiency projects reduce carbon and cut costs for consumers more effectively than using valuable allowances for price manipulation via LDCs.</p>
<p><b>Consumer Rebates</b> 11.6%</p>	<p><b>10.6% Low- and Moderate-Income Consumer Rebates</b></p> <ul style="list-style-type: none"> <li>✓ These allocations are used to send direct lump-sum payments to low- and middle- income consumers, to compensate for incremental price increases under climate policy. Because low-income households spend a higher percentage of their income on energy than other households, it is important to target rebates to this segment of the population. APA establishes rebates for low-income households (within 150% of the poverty line), and tax refunds for moderate income households (150-250% of the poverty line).</li> <li>✓ ACES included more allocations (15%, or 4.4% percent more than the Senate bill), and targeted funds only to low-income consumers.</li> </ul> <p><b>1% Home Heating Oil Consumer Rebates</b></p> <ul style="list-style-type: none"> <li>✓ Distributed through states most impacted by higher heating oil prices.</li> </ul>	<p>1 Sky supports consumer rebate programs in place of manipulating energy prices via local distribution companies (LDCs, or utilities). Sending income-based rebates directly to low- and moderate-income consumers can offset utility rate increases, while increasing the incentive to invest in energy efficiency.</p>

<b>Investing in a Clean Energy Future, and Climate Programs</b> <b>12.25%</b>	<p><b>7% Clean Transportation</b></p> <ul style="list-style-type: none"> <li>✓ 6% for Public Transit and Smart Growth. Grants help finance public transit, support local economies, and low-carbon growth.</li> <li>✓ 1% for Electric Vehicles, a program to help fund research, development, and implementation for electric vehicles and other advanced automobile technology.</li> </ul> <p><b>3% Renewable Energy and Energy Efficiency Investments</b></p> <ul style="list-style-type: none"> <li>✓ 1% for clean energy deployment via states and local governments.</li> <li>✓ 2% for clean energy R&amp;D.</li> </ul> <p><b>0.75% Domestic Adaptation</b></p> <ul style="list-style-type: none"> <li>✓ Funds are targeted to help vulnerable communities and ecosystems adapt to climate change, including wildlife and natural resource protection, and other adaptation purposes, like disaster relief.</li> </ul> <p><b>1.5% Market Stability Reserve</b></p> <ul style="list-style-type: none"> <li>✓ This fund helps both maintain price certainty, and further reduce carbon emissions.</li> <li>✓ If the carbon price hits the price ceiling (\$25 in 2012, and rising over time), these “reserve” allowances can be sold to polluters to prevent short-term price spikes. Revenue raised from the sale of these allowances is then invested in carbon reductions, so essentially this fund reduces carbon 1.5% more than the program would otherwise in any given year.</li> </ul>	<p><b>Transportation and Planning</b></p> <p>1Sky supports extensive investments in public and carbon-free transportation options and common-sense planning initiatives that encourage smart growth, and allow local economies to thrive.</p> <p><b>Clean Energy Investments</b></p> <p>Instead of funding new coal plants, public monies should support renewable energy and efficiency projects that are already commercialized, affordable, and create four times more jobs than fossil fuel infrastructure investments.</p> <p><b>Domestic Adaptation</b></p> <p>Funding for adaptation projects is urgent and necessary. Substantial investments are critical to ensuring climate legislation protects communities and natural resources most vulnerable to a warming climate.</p> <p><b>Market Stability Reserve</b></p> <p>1Sky supports allocating allowances toward a reserve because it controls for carbon price volatility while maximizing emissions reductions. 1Sky supports responsible investment of reserve funds for further reductions.</p>
<b>International Investments</b> <b>0.75%</b>	<p><b>0.75% International Adaptation</b></p> <p><b>0.0% Reducing Tropical Deforestation</b></p> <p><b>0.0% International Clean Technology Partnerships</b></p> <ul style="list-style-type: none"> <li>✓ Allocates an inadequately small portion of total revenue to help vulnerable communities adapt to climate change, and nothing to help protect tropical forests or fund clean energy technology partnerships – far less than was allocated in the ACES House bill, and less than is needed to give the US real bargaining power at international climate negotiations.</li> </ul>	<p>1Sky supports a substantial increase in allocations for international action to tackle climate change. Setting aside sufficient allowances for these purposes will improve the prospects for an effective international climate agreement.</p>
<b>Deficit Reduction</b> <b>8.15%</b>	<p>Allowance value is transferred to the U.S. Treasury to allow the bill to be scored as deficit-neutral. ACES allocated a mere 1% of allowance value to deficit reduction in 2020.</p>	<p>The vast differences in deficit reduction funds between APA and ACES are mostly due to differences in Congressional Budget Office (CBO) scoring protocols between the Senate and House.</p>

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