



Energy principles to protect environment and ratepayers

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The member companies of the Edison Electric Institute are committed to addressing global climate change and support an 80 percent reduction in greenhouse gas emissions by 2050. We have been working for more than two years to ensure climate change legislation protects electricity customers. The American Clean Energy and Security Act of 2009 passed the House last month in no small part because of its provisions to reduce the costs of a cap-and-trade program. And we applaud the Senate leadership's recognition that even stronger consumer-protection measures are needed to ensure broad, sustained public support.

Among the core elements of the House bill are provisions that initially would allocate emission allowances to utilities. Allocating, rather than auctioning, allowances helps reduce cost increases to all electricity customers — large and small, rural, urban and suburban — without compromising environmental gains. The House bill allocates the majority of the power sector allowances to local electric distribution companies, based on emissions and sales, on behalf of their customers. Merchant coal generators also would receive some allowances to help mitigate price increases in wholesale electricity markets. We urge the Senate to incorporate allowance allocations, and this formula, in its legislation.

Customers also would benefit from a more gradual transition to a full auction. Under the House bill, allocations would sharply decline from 35 percent to zero between 2025 and 2029. A longer phase-out period would help protect customers from sudden energy price shocks.

It also is critical to align reduction targets with the availability of technologies needed to reduce emissions. The House bill would require a reduction in greenhouse gas emissions of 3 percent below 2005 levels by 2012 — just three years away. This would impose an abrupt and significant price increase on electricity customers. The 2020 emissions reduction target also is very aggressive and should be modified.

We also strongly support inclusion of a “price collar,” with a price floor to encourage investments in new clean energy technologies and a price ceiling to protect against price volatility and market manipulation. In addition, the Senate should recognize the benefits of using legitimate emission “offsets” to allow utilities to invest in emissions cuts outside the power sector.

Harmonizing existing federal and state policies to avoid multiple greenhouse gas regulations also would help hold down costs. A single, comprehensive federal climate law — rather than multiple, overlapping, or conflicting statutes — is the best approach for making significant greenhouse gas reductions.

We believe the time is now to address climate change in a way that protects the environment and electricity consumers. And we stand ready to work with the Senate to move forward on smart climate legislation we can all support.

From Tom Kuhn, president, Edison Electric Institute (trade association, investor-owned electric utilities), Washington