

## Press Conference on the American Clean Energy and Security Act of 2009

May 14, 2009

□□□□□□□□ Following more than a month of intense negotiations with Chairman Waxman and Chairman Markey, I can announce this afternoon that we have achieved agreement on most key matters of greatest concern to me in the energy and climate change bill.

When the measure goes to markup next week in the full Energy and Commerce Committee, I intend to vote yes, and I intend to encourage all other members of the committee to do likewise.

While reserving the right to work for further improvements later in the legislative process, I will strongly encourage reporting by the committee of the revised bill, and I will discourage weakening amendments.

Our negotiations have produced satisfactory outcomes on dozens of provisions, and among others, those provisions include:

- The free allocation of allowances to electric utilities, to the extent of 35 percent of all national allowances. And that is 90 percent of the allowances that the electric utility industry will

need in order to satisfy its compliance obligation. Those allowances will largely prevent the allocation process for emission allowances from resulting in electricity price increases.

- We also achieved success in our discussions with regard to the provision of bonus allowances to electric utilities that deploy carbon capture and sequestration (CCS) technologies. And a total of between \$75 billion and \$100 billion in allowances will be provided to electric utilities in order to encourage them to deploy carbon capture and sequestration technologies.

- We also at our negotiations achieved success with regard to the offsets that will be available to CO<sub>2</sub> emitters to enable them to meet the carbon reduction targets that are contained within the legislation without having to change their fuel mix.

- Fully 50 percent of the allowances are available on the international side and 50 percent on the domestic side, as a first matter, with a total of 2 billion tons of allowances available every year.

- And in the event that it proves difficult to obtain up to 1 billion tons of allowances on the domestic side, then up to 1.5 billion tons could be obtained on the international side. And we anticipate that on the international side that would largely be efforts to preserve the tropical rain forest. The initial draft of the legislation had a ratio of five to four, with regard to offsets. The way that would have worked, in the initial draft, was that essentially \$5 in value would have to be provided for what amounts to \$4 in offsets. I urged that that ratio be removed. It has now been removed completely on the domestic side when domestic offsets are required, and it has been removed for the first five years on the international side. It does come back after the fifth year with regard to international offsets.

- We have made major improvements in requirements that new coal plants use CCS technology when that technology becomes available. A number of important changes were made in this provision. Key among those is to make sure that the plants that had obtained their air pollution permits as of January 1 of this year would not have to comply with these carbon capture and sequestration rules.

- We were also able in our discussions to reduce the floor price for the auction of allowances from the strategic allowance reserve from what was 200 percent of the past three-year average of allowance prices in the emissions trading market in the initial draft to what is now 160 percent of that three year average. So in determining what the floor price for auctioning allowances from the strategic allowance reserve would be, you look to the past three years of prices in the market, you average those, and then the floor price is 160 percent of that number as compared to 200 percent in the original draft. Those allowances from the strategic reserve can be an effective buffer against sharp electricity price increases.

- Helpful modifications have been made through these discussions to the citizen lawsuit provisions that were contained in the draft.

- And in negotiating with a broader group of our colleagues, including John Dingell, Bart Gordon, Mike Doyle, and our office, Chairmen Waxman and Markey have agreed with us on what in my mind is an acceptable set of provisions for the Renewable Electricity Standard.

Let me mention a couple of areas in which I have some remaining concerns

about the bill, and in future stages of the process after the Commerce Committee markup, I intend to seek further improvements:

- IN negotiations with Chairmen Waxman and Markey, we were successful in reducing the number for the required reductions of carbon dioxide emissions by 2020. The initial draft had a 20 percent required reduction by that time. The revision that will be considered in the committee has a 17 percent required reduction by that time. I still believe that a 14 percent requirement by that date is more appropriate and more achievable. And I also think that a broader group of the private sector companies that are concerned about this measure would be supportive of the legislation were we to come to that 14 percent number.

- I am also concerned about the timing of the phase out of free allowance allocations that would go to the emitting stationary sources, now set to occur between 2025 and 2030. A short phase out period might result in some significant increases in electricity prices during that time as we move from free allocation to auction, so a longer phase out period, in my view, would be more appropriate.

- And I would simply indicate continuing concern about the reintroduction of the 5:4 ratio, the discounting ratio with regard to the international offsets that will still be a feature of this measure.

But I do support moving the legislation through our full committee next week. I will be voting yes, I will be encouraging other members to vote yes and working constructively with Chairmen Waxman and Markey as this measure goes to the floor of the House, and also, hopefully, with our Senate colleagues as it is considered there and in conference.

Let me just say a word about our negotiations. They have been intense, but they have been collegial. They were well structured and methodical, and they have ultimately been successful. And I want to commend Chairman Waxman and Chairman Markey for a superb process in which they accommodated my concerns, they solicited my views, they listened to our arguments, and they were willing to make sure that our core needs were met. I very much appreciate that process and their cooperation in this effort, and I am pleased to be here today to announce that we have achieved agreement on these many very important issues.

