

Articles of Interest:

- "Waxman-Markey Bill: No Cuts until 2026." [International Rivers](#).
- "Waxman-Markey Gives Nearly 5 Times More to Polluters than Clean Energy." [The Breakthrough Institute](#), May 15, 2009.
- "Waxman-Markey: bill would do more for climate without cap-and-trade provision," [Gristmill](#), May 21, 2009.
- "Carbon trading's inconvenient truth," [SF Chronicle](#), May 26, 2009.
- "Handouts and loopholes: America's climate-change bill is weaker and worse than expected," [The Economist](#), May 21, 2009.
- "A Coal Subsidy Act?" [Get Energy Smart NOW!](#), May 21, 2009.
- "Clean Energy Climate Bill Gives Coal a Competitive Future," [SolveClimate](#), May 18, 2009.
- "Climate Bill Wins Enough Votes to Pass, But at What Cost?," [SolveClimate](#), May 21, 2009.
- "Climate Bill's Offsets Provisions May Let U.S. Emissions Rise for Next Twenty Years," [Breakthrough Institute](#), May 21, 2009.
- "Offsets are still counterfeit carbon credits," [Gristmill](#), June 1, 2009.
- "From a Theory to a Consensus on Emissions," [New York Times](#), May 17, 2009.
- "Sucking the lemon we sold. The USA and Carbon Trading," [Gristmill](#), May 31, 2009.
- "Enron's Other Secret," [Financial Post](#), May 30, 2009.
- "Subprime Carbon? Re-Thinking the World's Largest New Derivatives Market," [Friends of the Earth](#), Mar. 2009.
- "Why cap and trade is not the answer," [Carbon-fees.org](#), Mar. 2009.
- "Republican lawmakers back carbon tax (yes, that's right)," [McClatchey Newspapers](#), May 13, 2009.
- [Government Accountability Office's \(GAO\) report on Offsets](#), March 5, 2009.

H.R. 2454, The American Clean Energy and Security Act (ACES)

The Status: On May 21, 2009 the Energy and Commerce Committee approved the ACES Act by a vote of 33 to 25. The bill heads for the House Agriculture Committee, and perhaps others, before hitting the Senate. The current version of the bill rewards polluters with massive free allocations, would not force reductions below today's levels until 2026, and looks more like a Coal Subsidy Act than the title, 'American Clean Energy & Security Act' contrarily implies.

Key provisions in the bill:

(And why they are worse than doing nothing)

- Reduce carbon emissions from major U.S. sources by 17% by 2020 and over 80% by 2050. This target is far weaker than the 25-40% cut from 1990 levels that the [IPCC](#), science and the international community demands. ACES target is ~3% below 1990 levels. Such a weak target could hinder negotiations with [China](#) and other countries to forge an [international agreement](#) in Dec.
- \$60 billion to develop carbon capture and sequestration (CCS) technology. All new coal plants permitted after 2020 must use CCS when they commence operations. CCS could double the size of the oil and gas sector, even though the buried CO2 could eventually escape threatening nearby communities and diverting resources. "Imagine if we actually tried to solve the problem rather than bury it." ["Coal's Pipedream?," [Washington Post](#), June 5, 2009.]
- Earmarks \$500M for Clean Coal 'Admin Expenses'. Creates a Carbon Storage Research Corporation and funnels \$10 billion over the next 10 years to support it.
- ACES would establish a self-sustaining "Clean Energy Deployment Administration" to support private investments in "clean energy" technologies including nuclear power. Clean energy investment allocations are meager compared to the \$65 billion over just 2 years already passed in the Economic Stimulus package.
- Require electric utilities to meet 20% of their electricity demand through "renewable" energy sources and energy efficiency by 2020. The requirement begins at 6% in 2012 and gradually rises. In 2020, 15% of the electricity load must be met with "renewable" electricity and 5% with efficiency. Upon petition

by a governor, the "renewable" requirement can be reduced to 12% and the efficiency savings can be increased to 8%. These numbers would be too weak to require any significant change from [business-as-usual estimates](#) for qualifying renewable energy growth by 2025, [exempts certain sources](#), and [some states could do better on their own](#). Moreover, ACES would include burning [of trash and forests as "renewable energy"](#), meaning that global warming could actually increase as a result of the bill. The Pioneer Renewable Energy biomass incinerator proposed in a Western Massachusetts community would emit about 500,000 tons of CO2 per year—1.5 times more than the worst coal burning plant in New England according to the Massachusetts Environmental Energy Alliance. ACES would give millions to save tropical rain forests, and at the same time give millions to burn US forests.

- Pre-empts EPA's authority to regulate CO2. The EPA has authority to regulate GHGs under the Clean Air Act. ACES would remove the ability of the EPA to regulate GHGs from capped sources.
- Cap-and-Trade national pollution trading scheme. See Page 2 on reverse side.

Key Criticisms—ACES would:

- Continue business-as-usual until 2026 with 2 billion tons of offsets allowed. Scientists warn that emissions must peak by 2015 in order to avert [climate change catastrophe](#).
- Cause massive deforestation by excluding terrestrial emissions from the cap and not counting land use change from increased bioenergy use.
- Trade away the EPA's ability to regulate GHGs from capped sources.
- Allow new coal plant permits between 2009-2020, and beyond with CCS technologies.
- Subsidize "renewable energy" generation from biomass and trash incineration that releases up to 50% more CO2 per megawatt than a coal plant.
- Establish a derivatives trading scheme for carbon credits, entrusting the same financial speculators that just finished crashing the global economy to magically fix a global pollution problem.
- Award fossil fuel interests a continued competitive advantage with free allocations and CCS subsidies.
- **Result:** ACES is worse than doing nothing and will be further weakened as it goes through other House committees and the [Senate](#). As proponents of the bill actively ignore the weight of evidence showing that pollution trading simply does not work, and insist that emissions trading 'is the only thing on the table,' they are actively pushing more effective policy approaches off of the table.

H.R. 2454, The American Clean Energy and Security Act (ACES)

ACES Cap-and-Trade Proposal:

- A “Cap” on large domestic sources of emissions that gets traded away. To achieve the 2020 and 2050 targets, ACES would set a cap and establish a system of tradable permits called “emission allowances” equal to that cap. However, by allowing up to 2 billion tons of offsets, the “cap” could be exceeded by that much, in addition to being blown up by sources of “hot air” from self-reporting of emissions, fraudulent credits, and the politically-negotiated cap in and of itself. ACES baseline of 2005 is well before the recent economic recession, which already caused decreased emissions, meaning that covered entities would receive allocations beyond what they emit, rewarding them \$ from unfortunate circumstance versus for intentionally reducing their emissions or finding clean alternatives.
- A “Cap” that excludes terrestrial sources of emissions could lead to nearly complete loss of unmanaged forests by 2100. According to a new study in the journal [Science](#), land use changes and resulting emissions that would result from a world GHG program that controlled emissions of carbon from fossil fuels but exempted emissions from bioenergy and did not count emissions from land use change associated with the bioenergy, the resulting expansion of bio-energy crops would largely eliminate the world’s natural forests by 2065, along with nearly all rangeland and savannahs.
- Free Allocation of 80% of permits means windfall profits and substantial subsidies to fossil fuels interests. ~65% of the allowances would be given for free to carbon polluters—50% to the fossil fuel industry directly. The director of the Office of Management and Budget, Peter Orszag testified before a Congressional Hearing saying that free allowances “would represent the largest corporate welfare program that has ever been enacted in the history of the United States.”
- “By divorcing the initial allocation from emissions in the baseline period, the bill has in effect created a new form of ‘currency’ and an alternative ‘carbon budget’ that can be used to reward particular industries by granting them valuable emissions rights that can be used to support business activity or sold for conventional dollars.” [“Log-rolling in the Waxman emissions bill (HR 2454),” [Reuters blog](#), May 26, 2009. See also for a full year-by-year allowance allocation breakdown to all recipients in allowances and percentage terms.]
- “Point Carbon, a market analysis firm, estimates that the current House draft earmarks \$254 billion in allowances – one sixth of the estimated total value of allowances from 2012 through 2030 – and gives them to industries most sensitive to carbon pricing, including coal-based electric power generators, energy-intensive manufacturers vulnerable to foreign competition, oil refineries and the automobile industry... The biggest chunk of free allowances, worth \$500 billion, would go to local electricity and natural gas distribution companies...” [“High-Stakes Quest for Permission to Pollute: Interest Groups Press Congress for Cap-and-Trade Allowances in Climate-Change Legislation,” [Washington Post](#), June 5, 2009.]
- 2.2% of revenue from emissions allocation would go toward domestic adaptation, although it is not targeted to low-income or minority communities. 2.9% would go towards international adaptation and technology transfers. ACES does not include requirements or incentives for sources located in poor and minority communities.
- 15% of emissions allowances value to reimburse low-income households for higher energy-related costs. A tax credit would phase out at around \$45,000-49,000 for a family of 4, or a refund would be available through Food Stamp mechanisms. The refund amount is 1/12 of the annual average loss in purchasing power. [“The Climate Gap,” [PERE](#), May 2009.] A pass-through mechanism, that would be designed by utilities, is meant to pass all or most of the profits and savings from free allocations to the electricity sector on to consumers. However, enforcement points seem weak and state utility commissions are notoriously in cahoots with the utilities they regulate. In the EU, “A new report has served to confirm the fears of many consumer groups and charities - that millions of UK households are having to cut back on their food bills and other essential simply to pay for their gas and electricity.” [“Millions making big sacrifices to pay utilities bills, new research confirms,” [UK Net Guide](#), Mar. 20, 2009.]
- .5% to worker assistance and job training from 2012-2021, increased to 1% thereafter. There is no targeting to low-income and minority communities.
- Offsets: ACES would allow “capped” sources to use offsets to acquire up to 2 billion tons of emission credits annually. 1/2 of these credits must come from domestic sources, except that if insufficient domestic offsets are available, up to 1.5 billion tons can be obtained from international offsets. Starting in 2017, ACES would require capped sources to turn in 5 tons of international offsets to receive 4 tons of credits. ACES would allow offsets to be treated as equal in value to emissions allowances, rather than being discounted by 20% as initially proposed, making offsets more attractive. The inclusion of offsets expands the “cap” substantially, and could allow no real GHG emissions reductions to occur until 2026.
- Cost-containment measures: (i.e. permission to blow the cap)
- Unlimited banking
- 2-year compliance period allows borrowing 1 year in advance
- “Strategic reserve” of allowances available for auction if allowance prices exceed 160% of their 3-year average. Proceeds of any reserve sales would be used to acquire additional international offsets.
- Minimum floor price for auctioned allowances of \$10. Trading between private entities could be below that subject to market volatility.