
Climate Justice: Equitable Climate Change Policy

**Olivia Wein, Staff Attorney
National Consumer Law Center**

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The National Consumer Law Center

Since 1969, the National Consumer Law Center has functioned as a lawyer's lawyer for legal services and consumer law attorneys. NCLC helps advocates and policy makers use the powerful and complex tools of consumer law for just and fair treatment in the economic marketplace.

Why do national consumer groups care about climate change policy?



National climate change policy:

- Will directly and indirectly increase costs to consumers, and low-income consumers will be hardest hit.
- Will not affect consumers in different regions of the country in the same way.

However, there are also costs to delay and/or to doing nothing.

FAIR CLIMATE CHANGE POLICY:

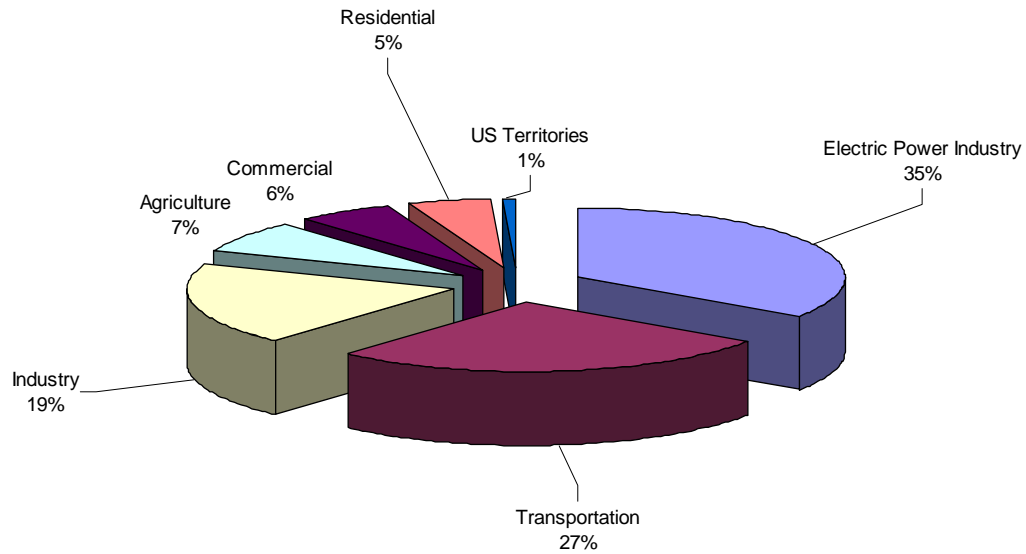
Principles for Protecting Low- and Moderate- Income Consumers from the Costs of Climate Change Policy and for Re-building Their Communities

- The design of any climate change mitigation policy that raises the costs of energy and other essential goods must be fair.
- The implementation of programs, policies and investments to mitigate the harm must be adequate in size, distributed in a manner proportionate to the cost impacts, and be made available to low and moderate income families in a timely and efficient manner.
- The governance of climate change regulation and policy must be fair and responsive to emerging conditions.

The Fair Climate Change Principles are available at www.nclc.org.

US Greenhouse Gas Emissions by Economic Sector for 2008

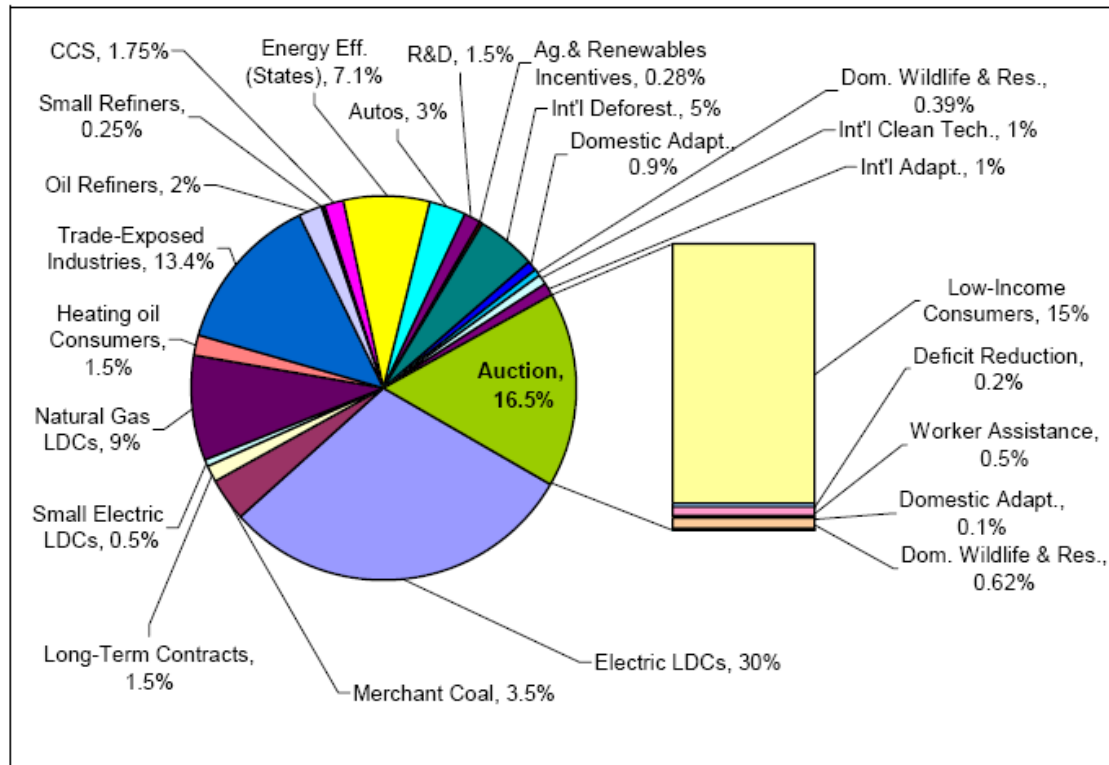
Source: US EPA Inventory of US Greenhouse Gas Emissions and Sinks: 1990-2008, Table ES-7



CRS Graphic on EA Allocations from, *Climate Change: Costs and Benefits of the Cap-and-Trade Provisions of H.R. 2454* (September 14, 2009), page 6.

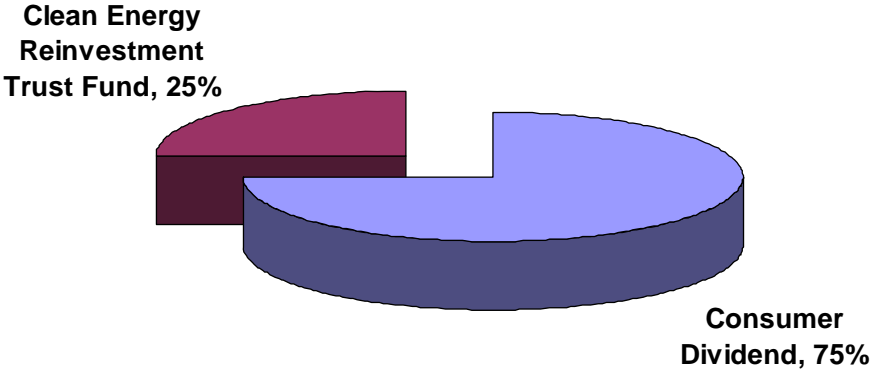
Climate Change: Costs and Benefits of the Cap-and-Trade Provisions of H.R. 2454

Figure I. Simplified Emission Allowance Distribution—2016



Source: Prepared by CRS

Cantwell-Collins



Electric, Natural Gas Consumer Assistance in HR 2454, Kerry-Lieberman, Cantwell-Collins

- HR 2454 and K-L rely on LDCs to protect electricity and natural gas ratepayers
 - Rationale is that assistance via LDCs can address the regional variation in energy prices
- Both H.R. 2454 and K-L LDC provisions cover all ratepayer classes (industrial, commercial, residential).
- Cantwell-Collins immediately returns 75% of the value of the all of the emission allowances to consumers on a per capita basis. It does not rely on the LDCs to distribute the funds.

Additional concerns about the LDC mechanism

- H.R. 2454 and Kerry-Lieberman's LDC provisions do not define "ratepayer benefit" and thus this term of art will be up to the 50 state utility commissions to define.
- H.R. 2454 and Kerry-Lieberman's LDC provision do not include funding for ***intervenor compensation***. Intervenor compensation facilitates consumer participation in state commission proceedings by covering costs for experts and staff. This is essential for leveling the playing field with the utility attorneys and their experts when working out how the LDC allowances will be spent to "benefit" ratepayers.
- Cantwell-Collins does not rely on the LDCs to distribute the benefit of the emission allowances to consumers.

Heating Oil and Propane Consumer Assistance

- Both H.R. 2454 and Kerry-Lieberman provide a percentage of emission allowances to states for their heating oil and propane consumers
 - At least 50% of the value of the EA is for cost-effective energy efficiency and the rest for financial assistance to residential and commercial customers.
- Cantwell-Collins immediately returns 75% of the value of the all of the emission allowances to consumers on a per capita basis.

Energy Efficiency in the Energy Assistance Provisions

- No requirement that Electric LDCs use emission allowances for energy efficiency H.R. 2454 or Kerry-Lieberman.
- At least 30% in HR 2454, and 20% in K-L, of the N.Gas emission allowances must be used for energy efficiency.
- NCLC and other consumer groups worked with environmental groups to develop legislative language that would dedicate 20%-30% of the electric LDC allowances for cost-effective, measurable and verifiable energy efficiency (including low-income efficiency programs), but that didn't make it into the K-L bill.
- In Cantwell-Collins, energy efficiency is covered under the 25% of allowances for a range of public purposes.

Consumer Representation

- Intervenor Compensation for consumer representation at the state public utility commissions. In none of the current bills.
- Office of Consumer Advocacy
 - In HR 2454 and Kerry-Lieberman, the OCA represents residential and small commercial consumer interests at the Federal Energy Regulatory Commission.
 - HR 2454 and Kerry-Lieberman do not provide a solid funding stream for this position, and this is a serious shortcoming.
 - In Cantwell-Collins, the OCA is housed in Treasury and represents residential and small commercial energy customers. The range of powers is more limited (investigation, collection of data, reporting)

How do we mitigate the harm to low-income consumers?

The Markey-Waxman ACES Act (HR 2454) and the Kerry-Lieberman American Power Act

- Have a low-income refund for households at 150% of poverty and below that is designed to cover the increases in goods and services due to the climate legislation.
- The Kerry-Lieberman bill also has a tax credit provision for working families at 150% of poverty up to and phasing out at 250% of poverty.
- These bills rely on funneling a substantial amount of allowances through the electric and n.gas companies (local distribution companies) to mitigate the harm to consumers from rising energy prices.

How do we mitigate the harm to low-income consumers?

- The Cantwell-Collins CLEAR Act (S. 2877) would immediately recycle 75% of the value of all the emission allowances to all consumers on a per capita basis.
- Estimates are that around 70% of the households would be kept whole from rising costs. The low and moderate income families would be covered under this design.

Recent Developments

- Senator Lugar's Practical Energy and Climate Plan, S.3464 had drawn Republican co-sponsors (Senators Lindsey Graham and Lisa Murkowski)
 - No caps on emissions
 - Promotion of nuclear power
 - Renewables (15% - 50% of electricity from renewables; ramps up b/n 2015 – 2050)
 - Vehicle fuel efficiency standards
 - Building and appliance efficiency
- Senator Murkowski's resolution disapproving of EPA's regulation of GHGs under the Clean Air Act.
- The American Clean Energy and Leadership Act of 2009 (ACELA), which passed out of Senate Energy and Natural Resources Committee last year.

For more information:

Olivia Wein, Staff Attorney
National Consumer Law Center's DC Office
1001 Connecticut Avenue, NW, Suite 510
Washington, DC 20036
202-452-6252
owein@nclcdc.org



AMERICAN
SOLAR
ENERGY SOCIETY

Equitable Climate Change Policies

Chris Stimpson

Executive Campaigner

Solar Nation | www.solar-nation.org

LEADING THE RENEWABLE ENERGY REVOLUTION



Climate Change Mitigation

Who's picking up the check? (1)

The Socolow-Pacala wedges

- | | | |
|---|--|----------|
| 1 | Double fuel efficiency of 2 billion cars (30mpg → 60mpg) | No-one |
| 2 | Drive 2 billion cars only 5K miles p.a., not 10 K miles, @ 30mpg | Consumer |
| 3 | Raise efficiency at 1600 large coal-fired plants from 40% to 60% | Consumer |
| 4 | Replace 1400 large coal-fired electric plants with nat. gas plants | Consumer |
| 5 | Install CCS at 800 large coal-fired plants | Consumer |
| 6 | Install CCS at new coal plants to produce H for 1.5 billion vehicles | Consumer |
| 7 | Install CCS at 180 coal gasification plants | Consumer |



Climate Change Mitigation

Who's picking up the check? (2)

- | | | |
|----|--|-----------------------|
| 8 | Add 2X today's current global nuclear capacity to replace coal | Consumer |
| 9 | Increase wind power 40X to replace coal | Industry/
Consumer |
| 10 | Increase solar power 700X to replace coal | Industry/
Consumer |
| 11 | Increase wind power 80X to make H for vehicles | Industry/
Consumer |
| 12 | Drive 2 billion cars on ethanol, using 15% of world's cropland | Industry/
Consumer |
| 13 | Halt all cutting and burning of forests | Consumer |
| 14 | Adopt conservation tillage in all agricultural soils worldwide | Industry |
| 15 | Cut CO-generated electricity use in buildings by 25% | No-one |



Who's picking up the check now?

- Externalities of carbon use are not priced
 - Security
 - Local pollution of air and water
 - Effects of global climate deterioration
 - Public health
- Profits are privatized, costs are socialized



Who will pick up the check tomorrow?

According to the Intl. Energy Agency:

- tackling climate change now with policies that lead to reduced CO emissions and cleaner energy use will cost 1% - 2% of global GDP
- continuing with business-as-usual and ignoring climate change will cost up to 20% of global GDP

Climate Justice: Equitable Climate Change Policy

June 10, 2010

Marti T. Doneghy, Sr. Legislative Representative
Government Relations and Advocacy, AARP



AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP does not endorse candidates for public office or make contributions to either political campaigns or candidates. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Necessary Consumer Protections for Affordable Utilities

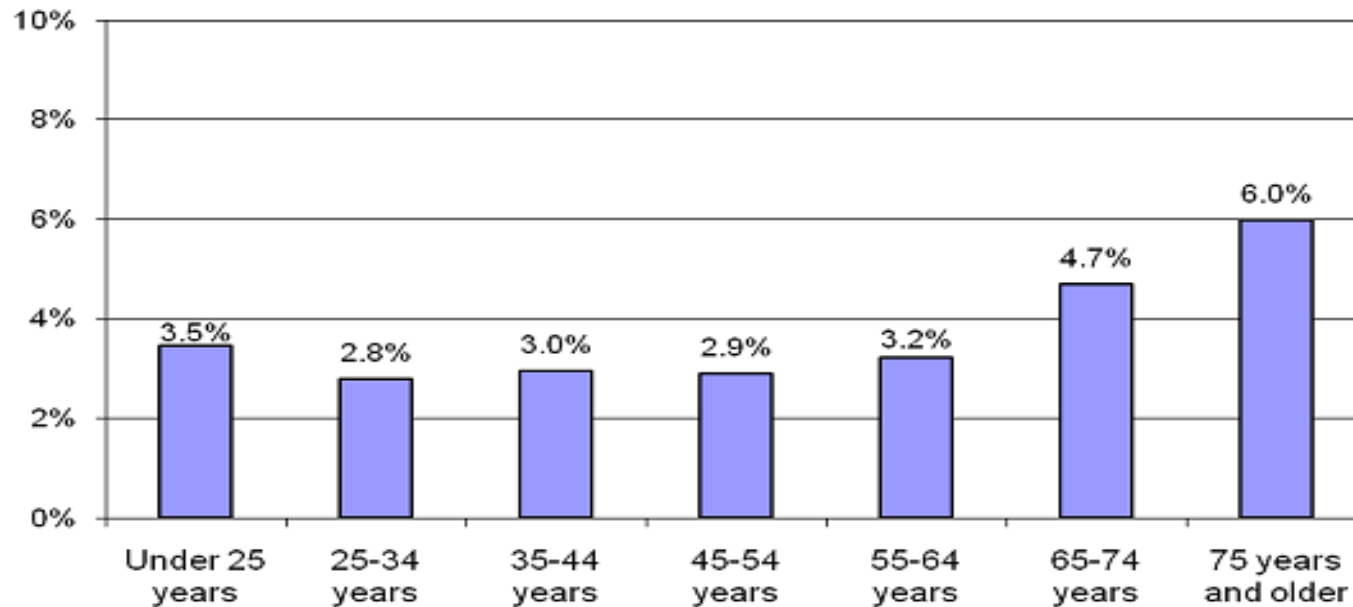
**AARP advocates for policies
and programs to ensure
consumers can afford the
energy they need to meet their
basic needs**

Solutions to Reduce Greenhouse Gas Emissions Pose Challenges for Many Consumers

- > Energy costs are a burden for low and fixed income consumers.
- > High energy prices cause consumers to cut back on usage and other necessary spending.
- > Energy affordability is linked to health and safety.
- > “Incentives” and “price signals” can increase energy bills and have negative, even life threatening consequences for segments of residential consumers

Older consumers pay a higher percentage of income for utilities

Energy Expenditures as a Percentage of Income by Age, 2008



Source: Bureau of Labor Statistics, Average Annual Expenditures and Characteristics, Consumer Expenditure Survey 2010.
Prepared by AARP Public Policy Institute.

High Energy Costs Create Incentives to Reduce Usage-“Heat or Eat”

- 2008 AARP survey (consumers 45+) found nearly half (46%) heated or cooled only certain parts of their homes; 81 percent turned the thermostat up or down
- For low income, high energy prices associated with:
 - Going without food, medications, medical visits
 - Using unsafe heating sources
 - Increased illness, homelessness, hunger

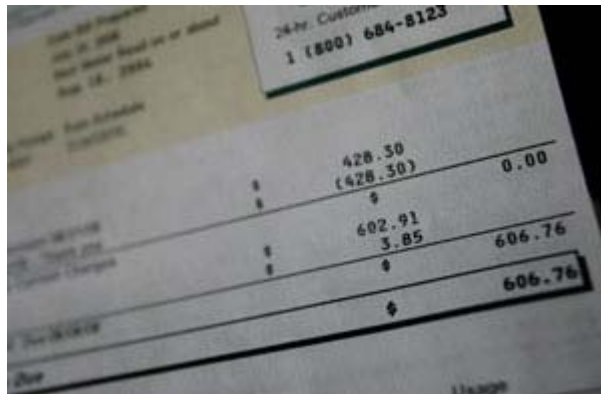
When using less could cost more--

“Smart” meters/dynamic pricing

Fixed Cost Recovery

Cost of Energy Efficiency Programs

Climate change legislation



24-hr. Customer Service
1 (800) 684-8123

	\$	428.50	
		(428.50)	0.00
	\$	\$	
	\$	602.91	
		3.85	606.76
	\$	\$	
			606.76



Costs of Climate Change Action and Inaction

- Action or not: Energy bills will rise!
- “Climate change is something you get to discuss after you’ve paid all of your bills”: Entergy Executive
- Estimates of the annual costs to an average U.S. household vary, and depend on final legislation
- Models show that lower income households are hit harder than higher income and with expectations of more extreme weather—vulnerable populations more in need of affordable heating and cooling
- Impact varies by region. Coal dependent states will see greater increase in electricity prices.

Climate Equity Challenges on behalf of Consumers

- > Ratepayer benefit under LDC allowances is vague. Do regulators need more guidance in bill?
- > Does complex market scheme invite speculation, false price signals?
- > Are regional variations overstated?
- > What happens to ratepayer benefits in deregulated states?
- > Cap on carbon price will affect all economy sectors – Kerry Lieberman heavily subsidizes the electricity industry with free allowances in the name of consumer assistance.

Contact Information:
Marti T. Doneghy
Sr. Legislative Representative
AARP
202 434-3804
mdoneghy@aarp.org