

Legislative

Update

October 1, 2009 • Volume 7, Issue 3

A publication of
Indiana Municipal Power Agency

Consideration of Climate Change Legislation Moves to Senate - But Will It Happen This Year?

In recent months, Congress has turned its attention to the major issues of health care and financial reform. It is looking more and more like climate change legislation may have to wait its turn because of a very busy fall schedule in both the House of Representatives and the Senate. Even though the Senate's version of a climate change bill has been unveiled, and committee consideration is expected over the next couple of months, full Senate consideration may be pushed into next spring or beyond. Additionally, there exists the possibility that if Congress does not act on legislation this year, then perhaps the Environmental Protection Agency (EPA) will begin a process to regulate carbon emissions. These are just a couple of the scenarios that could play out. The bottom line is that we really don't know what will happen, and we don't know what the time table will be. What we do know is that regardless of the timing, we believe that a climate policy is coming sooner or later. We must remain vigilant in our efforts to communicate with our Senators and Congressional delegation. It is critical that they understand the devastating effect an ill-crafted piece of legislation could have on Indiana electricity ratepayers. IMPA continues to have ongoing and direct communication with Senators Lugar and Bayh to reiterate our position on climate legislation.

Especially with the upcoming climate discussions in Copenhagen in December, it is very important that a carbon emission reduction policy take a worldwide, economy-wide approach, and must include the U.S. and all other countries such as China,

India and any other nation with a rapidly emerging economy and industrial base. We continue to support cap and trade legislation that is fair, balanced and affordable for those who consume, and pay for, electricity. Such a policy should:

- Be a true cap and trade program that places a declining limit on emissions over several years and allows utilities to meet the cap by reducing emissions or purchasing allowances from others.
- Provide 100 percent of the emission allowances to entities that directly serve consumers with power from carbon emitting resources.
- Allow utilities to receive up to 100 percent of the allowances needed to comply with the mandate in order to minimize the rate impact of the cap and trade program.
- Include a "price collar" on emission allowance prices to mitigate price spikes.
- Allocate allowances to all existing coal-fired facilities, as well as future coal-fired projects that are planned and under construction prior to the enactment of any legislation.
- Provide a reasonable and achievable emissions reduction target level; 17 percent below 2005 levels by 2020 is unrealistic and should be amended to provide breathing room for utilities to invest in carbon reduction technology without dramatically increasing our Indiana electric rates, hopefully preventing the further loss of business and industry.

Regardless of the time frame, now is the time to communicate with Indiana's Congressional delegation and let them know that we need protection.