BUILDING THE CLEAN ENERGY ECONOMY

Myths VS. Facts

MYTH: The bill will raise energy costs, imposing a hidden energy tax of $3,100 per year.
FACT: The legislation will deliver major benefits to the American people with only minimal costs. EPA found the overall impact on the average household would be 22 to 30 cents per day ($80 to $111 per year) — or less than the cost of a postage stamp a day. This does not take into account the household energy costs savings from the American Clean Energy and Security Act or the American Reinvestment and Recovery Act (ARRA) which was enacted earlier this year. ARRA alone is estimated to save households up to $98 per year.

According to the Congressional Budget Office (CBO), the bill costs 48 cents per day for the average household in 2020 ($175 per year) — 18 times smaller than what the House GOP's been claiming for months — and still not including efficiency savings. In fact, household savings generated from greater efficiency in appliances and homes are estimated to total over $4,000 by 2030. [ACEEE] Neither the EPA analysis nor the CBO analysis take into account the benefits of reducing global warming to our economy, farmers, children, and our planet.

Bottom line is that transitioning off foreign oil and creating millions of jobs will have minimal impact on average households. No wonder the St. Petersburg Times' Politifact fact-checker site calls this a "pants on fire lie" and the MIT professor cited as the source called the figure "wrong in so many ways."

MYTH: The Congressional Budget Office says this bill will raise gas prices by 77 cents a gallon.
FACT: When contacted about this claim CBO replied that: "The numbers being circulated were produced by the American Petroleum Institute (API)." and "…it is a misrepresentation of our work to say that the $0.77 per gallon for gasoline, $0.83 per gallon for jet fuel, and $0.88 per gallon for diesel fuel are consistent with our cost estimate for H.R. 2454." In reality, EPA estimates that the increase in gasoline prices as a result of the legislation would amount to less than 2 cents per year over the next two decades. By contrast, EIA projects that gasoline prices could rise to $6.50 per gallon by 2020 under business as usual.

MYTH: This plan will cost jobs and stop economic growth.
FACT: This transition to clean energy is going to be a key driver for economic growth —unleashing private sector investment that will far outweigh government incentives. The measure will create millions of new American clean energy jobs that can't be shipped overseas -- whether it's building the next generation of coal-fired electricity plants, installing solar panels, manufacturing wind turbines, or renovating homes for greater energy efficiency – as well as whole new industries. The clean energy jobs plan promotes building a smart grid and the production of clean electric cars.

The plan includes incentives for farmers and agriculture and provisions for retooling factories — a move that will breathe new life into America's manufacturing sector and assembly lines that have been left idle by this recession. Under EPA's analysis of the Waxman-Markey bill, the national gross domestic product grows robustly — from $13 trillion in 2008 to over $22 trillion in 2030, as clean energy technology is deployed and carbon pollution is reduced.

MYTH: This plan will harm manufacturing.

FACT: This legislation will strengthen U.S. global competitiveness. It will help America become the world leader in clean energy, spurring the creation of a new domestic manufacturing base to build wind turbines, solar panels, the next generation of clean coal-fired electricity plants and new clean electric and advanced technology cars. At the same time, the legislation will protect our existing industrial base and prevent the loss of American jobs to overseas competitors.

Reducing our carbon emissions will create good jobs in manufacturing clean energy technologies, weatherizing and updating energy efficient buildings, and making thousands of other products in America. A single wind turbine contains up to 400 tons of steel, along with 8,000 parts, from copper wire, gearboxes, and ball bearings to electronic controls. With countries around the world transitioning to low-carbon energy, these industries represent the future growth areas of the global economy. This legislation ensures that American workers are well positioned to compete for these clean energy jobs.

In addition to creating new jobs, the bill also protects current American manufacturing. Under the bill, energy-intensive, trade-exposed industries like steel, cement, pulp and paper, chemicals, and glass will receive rebates to cover additional energy costs as America moves towards energy independence. The auto industry will also receive incentives to manufacture electric and other advanced technology vehicles.

Clearly, the status quo is failing the manufacturing sector; nearly a quarter of all U.S. manufacturing jobs were lost in the last decade. Continuing with business as usual will ensure that manufacturing jobs continue to be shipped overseas. It is time for America to lead the world in clean technology manufacturing – the growth industry for the 21st Century.

MYTH: This plan will result in American jobs being shipped overseas to countries like China and India, which have resisted carbon regulations.

FACT: This legislation will strengthen U.S. global competitiveness, helping America become the world leader in new energy technologies, while preventing American job losses to other countries.

The clean energy jobs plan includes critical protection measures for American workers and businesses to prevent the shifting of jobs and pollution to other countries. Under the American Clean Energy and Security Act, energy-intensive, trade-exposed industries like steel will receive allowances to cover transition costs as America moves toward a clean energy future.

In addition, the bill establishes critical goals for the international climate negotiations, and takes steps to level the playing field to ensure that the United States is not placed at a competitive disadvantage if it addresses global climate change and other nations do not. The bill includes tariff backstops beginning in 2020 on goods imported from countries that do not incorporate the cost of carbon emissions in their manufacturing process. This will both level the playing field, and encourage other countries to participate in international agreements to combat carbon pollution.

China, Europe, India and other nations are investing billions to develop technologies and attract companies to build clean energy jobs in manufacturing and technology innovation. The Waxman-Markey bill is critical to the United States' ability to compete in this global energy market.

MYTH: This plan will hurt American small businesses.

FACT: Small businesses are the critical engine for the American economy, creating 60 to 80% of new jobs. And energy costs are a serious concern for these entrepreneurs. The American Clean Energy and Security Act:

- Protects small businesses by keeping utility bills low;
- Includes generous support for energy efficiency improvements to lower energy bills; and
- Ensures that small businesses will no longer be held hostage by Middle Eastern dictators at the pump or in paying their heating bills, by reducing American dependence on foreign oil.
- Creates new industries and opportunities for small businesses, suppliers and entrepreneurs. Bringing increased competition to energy, efficiency, automotive and other markets.

The bill includes provisions that will open new markets that will drive growth and create new opportunities for small businesses, with incentives to create new businesses in the clean energy and efficiency sectors. Clean energy innovations are already being turned into new small businesses at a feverish pace, as indicated by the growth of venture capital investment in the clean tech sector, now the largest venture investment category in North America, ahead of software. These young companies are typically made up of less than 25 employees. With about 3,500 new jobs created for every $100 million in venture capital invested, clean energy is poised to become the hottest area of small business job growth in the coming decades.

Further, the bill includes provisions to help small- and medium-sized manufacturers -- providing billions in loans for investments in energy efficiency, training workers for clean energy manufacturing jobs and to retool and refit their businesses to create these new products and compete in a clean energy economy. This program is critical to helping small businesses impacted by the recession, to bounce back and keep clean energy manufacturing jobs in America.

MYTH: This amounts to an economic declaration of war on the Midwest.

FACT: Quite the opposite. The bill will spur a clean energy economy to reinvigorate the Midwest's battered manufacturing base and will help Midwestern consumers. More than 50% of the value of the pollution program is set aside to protect consumers, and the bill includes provisions designed specifically to protect consumers in states that rely largely on coal for electricity. The bill directs local electricity distribution companies, which are given permit values according to their carbon emissions and sales, to pass along that value to consumers to protect them from rate increases on their electricity bills. And the bill provides additional consumer protections including monthly energy refunds for families in need.

The bill also contains provisions to protect the manufacturing sector of our economy from unfair competition from foreign countries and companies that refuse to deal with their carbon pollution. The bill includes help for the automobile industry to retool their facilities to build more fuel efficient vehicles. In fact, the bill creates new manufacturing job opportunities in areas hard hit by the recession and the struggles of the auto industry. This measure will build on the investments of the American Recovery and Reinvestment Act, which is estimated to create nearly 160,000 new jobs in the Midwest.

MYTH: Rural Americans will be adversely impacted from higher energy prices under the bill.

FACT: The legislation protects rural energy consumers from energy price spikes and opens massive new economic opportunities to American farmers and ranchers.

The bill provides tens of billion of dollars annually to help consumers — both rural and urban — with their electricity bills. On top of this, the bill allocates hundreds of millions of dollars every year specifically to benefit consumers who get their electricity from small rural electricity cooperatives, which disproportionately rely on coal for their electricity. Rural America is well protected in this bill.

The legislation is focused on creating new opportunities for farmers and ranchers. It establishes a robust carbon offsets market that would allow farmers to create and sell carbon offsets to polluting entities. Farmers and landowners will have a wide array of opportunities to generate offsets, such as by capturing methane emissions, planting trees, increasing soil carbon and using other agricultural practices that reduce global warming pollution. Agriculture Secretary Tom Vilsack recently testified that the USDA found that "the economic benefits to agriculture from cap and trade legislation will likely outweigh the costs… HR 2454's creation of an offset market will create opportunities for the agricultural sector… our analysis indicates that annual net returns to farmers range from about $1 billion per year in 2015-20 to almost $15-20 billion in 2040-50, not accounting for the costs of implementing offset practices. So, let me be clear about the implications of this analysis. In the short term, the economic benefits to agriculture from cap and trade legislation will likely outweigh the costs. In the long term, the economic benefits from offsets markets easily trump increased input costs from cap and trade legislation." [Testimony, 7/22/09]

Rural America is where we will create the clean fuels to re-power our economy and these rural economies are poised to reap the benefits. Wind turbines are already creating additional sources of revenue for rural land owners, generating annual rents of $2,000 to $5,000 per turbine. And since crops can be grown and livestock grazed right up to the base of these huge machines, very little land must be dedicated for actual energy generation. Electricity from biomass is projected to increase nearly 5-fold by 2020 under the bill, creating a huge new market for renewable fuels from rural lands. The provisions for renewable electricity development in the bill are projected to generate over $25 billion in income to farmers, ranchers, and rural landowners and $2 billion in new local tax revenues.

The bill will reroute our energy dollars to the Midwest, rather than the Middle East. And, best of all, by acting as good stewards of the earth, rural America will help avoid the lower crop yields due to the more frequent and intense droughts and flooding associated with continued global warming.

Finally, doing nothing might result in a different, less favorable outcome. Without Congressional action, the Environmental Protection Agency would be in charge of regulating greenhouse gas emissions for a wide variety of sources, possibly including agriculture, because of a recent Supreme Court decision. The U.S. Department of Agriculture, and arguably the voice of agriculture and rural America, might be left completely out of the process.

MYTH: Europe's attempt to reduce global warming pollution failed.

FACT: The European Union (EU) began its global warming pollution cap and trade program in 2005, starting with a 3-year trial period. The trial period identified several design flaws which are being corrected in the next phase of the system. Despite mistakes in the trial period, the European Environment Agency reports that, "European Union emissions of climate-changing greenhouse gases declined for the third consecutive year in 2007, according to the EU's GHG inventory report compiled by the European Environment Agency."

MYTH: Republicans claim that other House committees have not had a chance to debate energy and climate policy and that this bill is being rushed through Congress.

FACT: House committees have completed more than 70 hearings and markups on these issues, including in Agriculture (4), Ways and Means (4), Science and Technology (16), Transportation (9), Natural Resources (13), and Foreign Affairs (1). During the 110th Congress, the House Energy and Commerce Committee held dozens of hearings on energy and climate change policy that have built a detailed, factual record regarding the need for energy and climate change legislation. The Committee held nine additional hearings in the 111th Congress.

In October 2008, the first energy discussion draft was released. On March 31, 2009, a discussion draft of the American Clean Energy and Security Act of 2009 was released.

From April 21 to 24, 2009, the Committee held four days of hearings on the discussion draft. Nearly 70 witnesses testified, including former Vice President Al Gore and former Speaker of the House Newt Gingrich. The legislation was available for review by both majority and minority Committee members, as well as outside experts and the public, for nearly seven weeks prior to Committee markup.

On May 15, 2009, Chairman Waxman and Subcommittee Chairman Markey introduced H.R. 2454, the American Clean Energy and Security Act of 2009. The Committee favorably reported the legislation on May 21, 2009 after four days of open mark up – more than one month before the House voted on the legislation (June 26).

The legislation has been analyzed by the Congressional Budget Office and Environmental Protection Agency.

MYTH: This bill will not solve global warming.

FACT: Global warming pollution, like terrorism and nuclear proliferation, is a global problem that won't be solved by the United States alone, but requires decisive U.S. action at home and U.S. leadership abroad. The United States is the second-largest source of global warming pollution in the world, is responsible for the largest share of global warming pollution in the atmosphere, and the world community looks to the United States to champion a global solution to the problem. H.R. 2454 sets the U.S. on a path to reduce economy-wide emissions 28 to 33% by 2020 and 80% by 2050, and invests $190 billion in clean energy technology. These actions provide the necessary deep cuts in global warming pollution and the key U.S. leadership to ensure global action and effectively address this problem.

Myth: This bill does nothing for nuclear power.

Fact: The American Clean Energy and Security Act provides significant opportunities for nuclear power. Because nuclear power generates far less global warming pollution than fossil fuels, utilities will need to hold far fewer emission allowances for nuclear plants to comply with the carbon limitations in the bill. Under the new federal Renewable Electricity Standard, electricity generated from new nuclear units is not added to a utility's baseline electricity level. As a result, the addition of a nuclear plant would not require a utility to obtain additional renewable electricity. This ensures that the Renewable Electricity Standard provides no disincentive to the construction of new nuclear units.

In addition, ACES establishes a self-sustaining Clean Energy Deployment Administration (CEDA) to promote the domestic development and deployment of clean energy technologies. The Nuclear Energy Institute supports CEDA, which will provide direct loans, loan guarantees, and other types of financial support to clean energy technologies that might otherwise be unable to secure financing, including nuclear power. ACES also includes reforms to the existing Department of Energy loan guarantee program, which has received applications for federal loan guarantees from 16 proposed nuclear power plants, totaling $93 billion in requested assistance.

MYTH: ACES will require you to retrofit your home for energy efficiency before you can sell it.

FACT: ACES imposes no requirements on homeowners. Nothing in ACES will impose new requirements on the owners of America's existing buildings. Nothing in the bill would impede home sales. No one will be required to make improvements, but building owners who want to make efficiency improvements will be able to obtain assistance to save money on their energy bills.

BUILDING THE CLEAN ENERGY ECONOMY

Questions and Answers

Global warming is the challenge for this generation. We can argue why the 10 hottest years on record in the U.S. have all occurred since 1998. And we can argue about the changing weather patterns we've all seen – the floods, droughts, and tornadoes. But whatever the causes we must do something: stop the carbon pollution that is heating our planet and contributing to diseases like asthma and emphysema. We can protect the future of our children and planet with a comprehensive clean energy plan investing in new technologies, like wind and solar power that will rebuild our manufacturing base and get our economy moving again. The American Clean Energy and Security Act is a comprehensive approach to will create millions of clean energy jobs, reduce our dependence on foreign oil, and increase our national security.

Q: How will a cap on carbon pollution work?

A: A market-based cap on pollution puts a limit on the amount of carbon and other heat-trapping emissions large power plants and other sources can emit. It then uses the power of a well-regulated market to get companies competing to produce the cleanest and cheapest energy and materials. Companies can decide whether it is more economical to make investments in reducing carbon pollution, or to buy credits from other companies or farmers. It then re-invests revenues from the market back to consumers, energy research and development, and job-creation measures. Over time, pollution is reduced and our energy, vehicles, appliances, and other parts of our economy will be cleaner, cheaper and American-made.

It is modeled after the Acid Rain solution, which was bi-partisan and signed by the first President Bush. Former Senator John Warner (R-VA) endorsed the Waxman-Markey bill, and even Sen. John McCain and Newt Gingrich have backed market-based pollution caps as the best vehicle for fighting pollution. The Waxman-Markey approach not only fights pollution, it also invests resources into consumer and worker protection, clean energy and efficiency savings for businesses and families.

Q: How will this impact low-income families?

A: On top of the significant protections for all consumers through allowances to electricity, natural gas and heating oil companies, the bill includes monthly energy refunds for low-income families against higher energy prices. In fact, the one-fifth of families with the lowest incomes would see an average benefit of about $40 in 2020 under the bill, without accounting for the substantial energy efficiency savings. [Congressional Budget Office, 6/19/09]

Specifically it dedicates 15% of the allowances to low-income families through monthly energy refunds -- equal to the average cost to these households (after taking the general consumer relief into account). CBO estimates this payment for the all eligible households would average $302 in 2012, growing to $550 by 2019. For larger families (eligible family of five), the payment would start at $465 in 2012, growing to $834 by 2019. Households eligible for food stamps, the drug subsidy under Medicare, and Supplemental Security Income would be automatically eligible for this monthly energy refund, and other households below 150 percent of poverty could apply for benefits. In addition, the bill includes a tax credit to help those who are unlikely to access the energy refunds.

Q: How does this compare with the initially criticized European model?
A: The portion of the bill that sets up a carbon "cap-and-trade" system is the same American solution we used in the 1990s to successfully reduce Acid Rain, through the bipartisan Clean Air Act. After that system was put in place, electricity rates dropped 10 percent and 16 million new American jobs were created.

Our legislation is different than the EU's Emissions Trading System, which distributed too many pollution permits. The companies sold their excess permits, kept the money, and raised rates anyway.

The American Clean Energy and Security Act would avoid the early mistakes of the EU system, by devoting most of the allowances to public purposes and requiring electricity distributors to pass on these savings to consumers. Specifically, more than 80 percent of the permits are used for public purposes, including consumer rebates, worker assistance and job training, and only 17 percent are given to specified companies. [Harvard economist Robert Stavins] A hefty fraction of permits go to regulated local electricity distributors, which must pass on the savings to consumers in order to receive free permits. This will help lessen the impact of electricity price hikes and avoid the windfall-profit problem that plagued Europe.

After the European Commission learned from early mistakes and made reforms, the system functioned properly, and in 2008, carbon dioxide emissions were cut by more than 3 percent, while the economy grew by 0.8 percent.

Q: What about the possibilities of fraud and market manipulation in this new carbon market?
A: The bill provides for aggressive oversight of the trading market and includes anti-fraud and anti-manipulation provisions that make sure the market is transparent, fair, and open. This is just a prelude to the comprehensive financial regulatory reforms Congress will take up later this year to ensure accountability and transparency for our financial and commodity markets

Q: How do the rebates for energy intensive and trade-exposed industries work? Will small companies be crowded out by the big ones?
A: To ensure that rebates for energy intensive and trade-exposed industries are objective and not concentrated in a few politically-favored sectors, there is no pre-set list of qualifying industrial sectors. However, based on the criteria, likely candidates include steel, cement, chemicals, glass, and pulp and paper. Once an industry is determined to be eligible, there is a formula to calculate the rebate for individual companies, both large and small. This formula will be based on the energy consumption and the carbon-intensity of that industry, as well as the output of the firm. Smaller facilities will receive support that is proportional to the support given larger facilities, based on output.

Q: Is the Senate going to act on this?
A: Majority Leader Harry Reid (D_Nev.) said last month "This fall, we're going to have a bill in the Senate and we're going to vote on it" and commented that "If [the House] can do it, we can do it." [Congress Daily, 6/26/09; The Hill, 6/10/09]. In June, the Senate Energy and Natural Resources Committee completed action on expansive energy legislation, requiring greater use of renewable energy, funding for clean energy technologies, and training for workers in new energy_related industries, which Majority Leader Reid plans to combine with legislation capping carbon pollution that the Environment and Public Works Committee will mark up after the August recess. Majority Leader Reid has ordered the six Senate committees with jurisdiction over tax, agriculture, energy, foreign relations and environmental issues to complete work on the bill by Sept. 28. Most important, the President has made this legislation a centerpiece of his agenda.