



March 15, 2009

Sequestration News

Hearings related to climate change issues are underway once again. Last week's hearings included a discussion of impacts on the coal industry and on CCS development. Congressional climate strategy appears to be in flux. Consideration is being given to perhaps tagging an appropriations bill with climate legislation (to avoid exposure to filibuster); to possibly merging climate and energy legislation; and perhaps to pursuing a carbon tax, rather than a carbon cap and trade (C&T) approach (the Administration and congressional democrat leadership appear to be focused on C&T). EPA appears to be headed toward a positive "Endangerment" finding related to GHG regulation under the Clean Air Act. EPA has issued its annual report on GHG emissions in the US. The 2009 report tabulates emissions through 2007, by pollutant and by industrial category.

President Obama Intends to Shortly Nominate DOE Undersecretary

President Obama has announced his intention to nominate Dr. Kristina Johnson (an electrical engineer) to be DOE Undersecretary, the post which traditionally has held authority over coal, renewable energy, energy efficiency, and nuclear research programs. Dr. Johnson is currently Provost and Senior Vice President at Johns Hopkins University. She previously served as Dean of Duke University's Pratt School of Engineering.

Climate Change Related Congressional Activity

Climate change issues are being considered from a strategic or structural perspective in Congress. At least three structural issues are under consideration. The first is combining climate change legislation with energy legislation. On March 6, *EE Daily* reported that Senate Majority Leader Reid stated his support for "packaging a cap-and-trade bill together with a nationwide renewable electricity standard (RES) and other energy provisions." Reportedly, the idea originated in the House, from Representatives Waxman and Pelosi, who want to bundle C&T with RES, efficiency measures, and an expanded transmission grid. Other Congressmen have objected to the merger of legislation. The second issue comes from trade press reporting that White House climate czar Carol Browner is recommending that the budget reconciliation process (which is not subject to filibuster) be used to attach a C&S climate bill to appropriations. For the Senate, that would reduce the required vote from 60 to 51. However, use of the reconciliation approach may be outside the acceptable bounds for many on the Hill, as it would eliminate the traditional legislative process of airing issues at a committee level. Numerous committees,

including environmental, energy, and finance, would likely be reluctant to abdicate their jurisdictional prerogatives. Additionally, the Senate has in the past employed parliamentary rules that discourage such short cuts to legislation. Finally, the entire reconciliation approach is predicated on the assumption that the ultimate Federal Budget appropriations will have general support, which is unclear at this time? The third issue is legislation (HR 1337) proposed by Representative Larson (Chair of the Democratic Caucus), calling for a \$15/ton tax on CO₂ emissions, increasing by \$10/t per year. Almost all of the income would go to the Treasury to offset payroll taxes. Many have recommended such an approach over C&T legislation because it is considered by some to be a more efficient means of regulating and redistributing the revenues. However, it seems likely that there would be an uphill fight on this issue given general attitudes regarding tax increases (\$15/t would total about \$90 billion the first year), and the inability to ensure that favored programs would receive substantial financial subsidies such as those imbedded in almost all C&T legislative proposals. Nevertheless, the bill was cosponsored by Representative Miller (Chair of the Education and Labor Committee), and 6 other Congressmen.

The February 2009 budget proposal by the Administration included projected revenues from future C&T climate legislation totaling \$650 billion by 2019. \$15 B/yr was directed toward technology development, and \$65B (10%) was committed to middle income tax cuts. The President has supported a “100% auction” approach to disposing of allowances, meaning that industry would have no “free” allowances, as is done with the acid rain SO₂ control program. <http://www.eenews.net/EEDaily/2009/03/09/1/>

FY09 appropriations legislation passed on March 10th (aka, HR 1105, the Omnibus package). The legislation reportedly included a large number of earmarks, valued at about \$8 billion out of the \$410 billion total. The legislation and associated summaries and statements can be downloaded from the House Appropriations Committee website: http://appropriations.house.gov/FY2009_consolidated.shtml

Climate and CCS Related Congressional Hearings

On March 10 a hearing was held by the House Energy and Commerce Committee’s Subcommittee on Energy and Environment. From the energy side, testimony was submitted by NRG and NMA. NMA stated that coal was an essential component of US and global energy supply, that CCS was an essential element of any effective climate strategy (reducing overall mitigation costs by 30% or more), that more federal support of CCS is needed (\$10-12 B through 2025), and that an interim moratorium on new coal generation (until CCS is deployed) would have substantial negative impacts on the economy and on CCS technology development. NRG noted its active involvement in USCAP and preparation of the recent [Blueprint](#) report on climate mitigation. NRG identified several areas where it thought that effort is needed in order to bring CCS technology to the market, including adoption of C&T legislation. From the environmental side, David Hawkins (NRDC) stated that coal has fueled economic growth, but also caused damage to the environment and public health, and “threatens to wreak havoc with the earth’s climate system.” He endorsed efforts to promote CCS (which NRDC calls “CCD” or carbon capture and *disposal*). David Hawkins cited the recent EIA energy outlook report, which projects only 42 GW of new coal capacity by 2030, and states that after the units under construction are finished there will be a 10 year gap before additional coal units begin operating – without climate legislation. David Hawkins also stated that “there is no reasonable expectation that China will turn its back on coal in the near future,” and a US CCS deployment program could show China how to use its coal without causing large emissions of CO₂.

The second hearing of note was on March 11th. It was held by the House Science and Technology Committee’s Subcommittee on Energy and Environment. Testimony was presented by Victor Der (DOE),

Rob Finley (Midwest Geological Sequestration Consortium), Sarah Forbes (WRI, and ex-NETL), Larry Monroe (Southern Company), and Mark Gaffigan (GAO, regarding FutureGen). A focus of the hearing was DOE's FutureGen Project and all panelists were asked questions regarding this project, but CCS was also a key part of the hearing and considerable discussion.

Testimony on both of the above hearings is posted on the committee websites.

EPA and CCS

Greenwire (March 9, 2009) has released a leaked EPA report supporting an "Endangerment" finding related to GHG emissions and regulation under the Clean Air Act, along with a series of technical studies prepared by EPA to support whether the Agency would make an "Endangerment" finding last June. Recall that last summer, EPA issued a complex Advance Notice of Proposed Rulemaking and sought public input on regulation of GHGs, and did not make a finding on endangerment, but no finding (either way). <http://www.eenews.net/Greenwire/2009/03/11/1/> . EPA is rumored to be on the verge of circulating a positive endangerment finding for comment within the federal agency community, with subsequent public release.

Gina McCarthy the director of Connecticut's EPA will be appointed to Assistant Administrator of Air and Radiation at US EPA. McCarthy reportedly was active in the establishment of RGGI, the Northeastern regional C&T program.

EPA has issued in draft form its 2009 US GHG Inventory report. The public is invited to comment on the draft. The 12.5MB report (plus 6MB if you want the Annexes) can be downloaded from <http://www.epa.gov/climatechange/emissions/usinventoryreport.html>

Disagreement on Western Climate Initiative

Nineteen congressmen signed a letter to western Governors on March 10 challenging the proposed Western Climate Initiative. The thrust of the criticism and questions related to WCI's estimates of the relative value of the proposed emission reductions, versus their cost, and the absence of any new base load power generation from fossil, nuclear, or hydro.

CCS Related Editorials, Articles and Discussions

A March 4th *Wall Street Journal* editorial by Robert Bryce challenged the view that renewable energy will significantly displace fossil energy in the near term. He converted our energy consumption into equivalent barrels of oil and concluded that we now obtain 76,000 equivalent barrels per day from renewable energy, while we consume 47 million equivalent barrels per day of all forms of energy (mostly fossil).

The February 27th edition of *Science Magazine* ran a one-page article on the CCS provisions in the Stimulus legislation. Harvard and CMU experts explained their support for CCS applications involving both IGCC and traditional combustion systems. The article offered a largely positive view of the technology.

AEP CEO Michael Morris was quoted by *Business Week* (March 5th) as saying, "It [the Obama climate plan] is a clear transfer of the middle part of the country's wealth to the two coasts." William Kovacs (US Chamber of Commerce) said it "is now a very expensive tax used to transfer wealth. It has nothing

to do with climate change.” Others in industry (Rowe at Exelon; Rogers at Duke Energy) offered support for the Administration’s climate program, or a program that places a price on carbon.

The Pew Research Center published results of a poll on domestic policy concerns. Of the top 20 issues, climate change came in dead last, two levels below concerns about lobbyists. Not surprisingly, the Economy, Jobs, and Terrorism came in 1, 2, and 3. <http://www.people-press.org>. Pew is not alone in its assessment. A recent Gallup poll reports that 41% of Americans believe that the seriousness of global warming is exaggerated (29% think that reports are about right, and 28% think that the seriousness is underestimated). <http://www.gallup.com/poll/116590/Increased-Number-Think-Global-Warming-Exaggerated.aspx>

Duke University’s Nicholas School of the Environment has published a report, From Carbon Capture to Storage: Designing an Effective Regulatory Structure for CO₂ Pipelines. The report reviews current regulatory authority at DOT and FERC, and urges Congress to clarify who is in charge and, potentially, to grant eminent domain authority for CO₂ pipeline projects. www.nicholas.duke.edu/ccpp .

The Congressional Research Service has prepared a 13 page report, The Carbon Cycle: Implications for Climate Change and Congress, Feb 18, 2009.

Brian Ricketts' of the IEA made an interesting presentation related to climate change and CCS at last month's Washington Coal Club luncheon. His power point presentation is worth reviewing at the following site <http://www.washingtoncoalclub.org/meetings.html>



The U.S. Carbon Sequestration Council (www.uscsc.org) is a not-for-profit, 501(c)(3), organization established as an authoritative source of information to inform and to educate on all matters pertaining to carbon sequestration.

