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3 HEARING ON CONSUMER PROTECTION PROVISIONS IN CLIMATE

4 LEGISLATION

5 THURSDAY, MARCH 12, 2009

6 House of Representatives,

7 Subcommittee on Energy and Environment

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The subcommittee met, pursuant to call, at 10:05 a.m.,
11 in Room 2322 of the Rayburn House Office Building, Hon.
12 Edward J. Markey (chairman) presiding.

13 Members present: Representatives Markey, Inslee,
14 Butterfield, Matsui, McNerney, Welch, Green, Capps, Gonzalez,
15 Baldwin, Matheson, Barrow, Waxman (ex officio), Upton, Hall,
16 Whitfield, Shimkus, Pitts, Burgess, Scalise, and Barton (ex
17 officio).

18 Staff present: Matt Weiner, Clerk; Melissa Bez,

19 Professional Staff; Alex Barron, Professional Staff; Lorie
20 Schmidt, Senior Counsel; Michael Goo, Counsel; and Lindsay
21 Vidal, Press Assistant.

|
22 Mr. {Markey.} In over 30 years in Congress one word has
23 always come first in every piece of legislation, and that is
24 the word, consumers. From telecommunications to fuel economy
25 standards, I have always found that starting with the goal of
26 saving families money through technological innovation is the
27 best vehicle for effective public policy.

28 For too long American consumers have been unprotected
29 against costs from our old energy economy and the threat of
30 global warming.

31 First, America's dependence on foreign oil continues to
32 impact our economy. Before the sub-prime and derivatives
33 crisis created a financial markets meltdown, \$4 gasoline and
34 sky-rocketing coal and natural gas prices sent early
35 shockwaves through the economy, destabilizing our financial
36 house of cards.

37 Second, consumers are losing money on an inefficient,
38 outdated energy grid that wastes about half of the energy it
39 transports.

40 Third, by delaying action on clean energy and global
41 warming, consumers are losing money every day on the lost
42 innovation of new, clean energy products.

43 Fourth, we have heard in this committee that the cost of
44 climate inaction will have negative financial consequences.

45 We have already seen the impact of this on the insurance
46 industry, as storms have increased in strength from a warming
47 earth.

48 And so, much like the Telecommunications Act and fuel
49 economy legislation, climate legislation is consumer
50 legislation, and there is a proper way and an improper way to
51 craft this legislation. Improperly done, climate legislation
52 could unjustly enrich corporations at the expense of
53 consumers. Improperly done, the investments needed to drive
54 the clean energy economy will be put on consumers, while
55 polluters get a free pass.

56 Properly done, we will put a cap on pollution that will
57 allow businesses the flexibility to innovate and create
58 highly-profitable clean energy solutions. Properly done, we
59 will defray costs to consumers as we transition to a clean
60 energy economy.

61 Of course, this is where it all gets very tricky, and
62 that is why we are here today. Creating a market base global
63 warming bill means that the market will set a price on the
64 right to send carbon into the atmosphere. These permits will
65 have a financial value, allowing companies that become clean
66 and efficient to prosper while polluters will be forced to
67 pay. The key is to protect consumers from drawing the short
68 straw and paying for these permits when a company decides to

69 pass the cost directly to the consumer.

70 The danger here is that if we give pollution permits for
71 free to polluting companies, they may actually charge
72 consumers for the market value of what they receive free of
73 charge and pocket a huge cash windfall. Imagine this. A
74 scalper finds Celtics tickets outside the Boston Garden.
75 Will he sell them to the next consumer for free? No. He
76 will charge the going rate.

77 To address this problem some have suggested that instead
78 of giving away these permits to emitters for free, the bill
79 should ensure that the value to local electric utilities and
80 other entities that are regulated by the State public utility
81 commissions or otherwise subject to cost of service
82 requirements so that the money actually benefits consumers.

83 This position is shared by various groups like the U.S.
84 Climate Action Partnership, Edison Electric Institute, and
85 the National Association of Regulatory Utility Commissioners.
86 Others have come up with alternatives. The Center for Budget
87 and Policy Priorities is here with us today. They have
88 proposed a policy that would completely eliminate any
89 negative financial impacts from climate legislation on the
90 poorest one-fifth of Americans. And we shouldn't forget that
91 low-income Americans will be disproportionately affected by
92 the impacts of global warming.

93 It has been suggested that we use some of the revenues
94 from a climate legislation to fund energy efficiency programs
95 and invest in new cost-saving technology so that we can all
96 benefit from the long-term savings potential afforded by a
97 clean energy economy.

98 The bottom line is that there are many options before us
99 on how to benefit and protect consumers under a cap-and-trade
100 system. The subcommittee looks forward to exploring these
101 options with all of the members this morning.

102 [The prepared statement of Mr. Markey follows:]

103 ***** COMMITTEE INSERT *****

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104 Mr. {Markey.} Let me now turn and recognize the Ranking
105 Member of the subcommittee, the gentleman from Michigan, Mr.
106 Upton.

107 Mr. {Upton.} Thank you, Mr. Chairman. The title of
108 today's hearing, of course, is ``Consumer Protection in
109 Climate Legislation,'' which recognizes the undisputable fact
110 that climate legislation will increase the cost of energy,
111 and consumers will need to be protected.

112 These are some very tough and difficult times for our
113 country. Michigan, in particular, where I am from, has been
114 hit very, very hard. In fact, in 2008, approximately 21
115 percent of all utility accounts nationally were overdue, with
116 folks carrying past-due balances on average of about \$160 on
117 an electric bill and \$360 for natural gas. Total account of
118 debt in Mr. Markey's Massachusetts was about \$456 million,
119 with 28 percent of all electricity accounts and 48 percent of
120 gas accounts being past due. In Michigan the account debt
121 totaled \$367 million, and in some parts of my State one in
122 three consumers are already behind on their bills. One in
123 three.

124 And we all know which direction these numbers move when
125 prices go up. Congress must make its number one priority to
126 get the economy back on track and protect jobs, and that is

127 my top priority as well. Keeping energy affordable is the
128 key to this equation.

129 According to an MIT model of a 100 percent auction cap-
130 and-trade, the American people will be taxed \$366 billion in
131 2015, four times as much as the President's estimate of \$80.3
132 billion in 2015. Job losses under such a plan would be
133 greater than 6 million. Increased energy costs would near \$1
134 trillion in 2030. Increases in electricity costs could be
135 greater than 100 percent. GDP could fall perhaps as much as
136 7 percent by the year 2050. And a family of four could
137 expect to pay as much as \$4,500 in additional costs by the
138 year 2015.

139 In written testimony OMB Director Orszag stated that the
140 average household cost would be \$1,300 for a 15 percent cut
141 in emissions. This Administration has seen an 80 percent
142 cut. Our former colleague, Sherrod Brown, now a senator from
143 Ohio, who opposed capped trade last June, said that Obama's
144 plan, President Obama's plan would lead to an increase in
145 energy cost and would drive American firms abroad, and he
146 said this, ``It really does say to manufacturing, go to China
147 where they have weaker environmental standards. And that is
148 a very bad message in bad economic times, in any economic
149 times.``

150 There are not too many absolutes in this business of

151 politics, but one thing is irrefutable. As power demands
152 increase, a Nation will continue to grow, our power demands
153 as a Nation will continue to grow. Unless we pursue
154 coherent, pragmatic policies, we can, in fact, send our
155 Nation's economy into a freefall, and there will be great
156 difficulty to keep the lights on in homes in across the
157 country.

158 I yield back.

159 [The prepared statement of Mr. Upton follows:]

160 ***** COMMITTEE INSERT *****

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161 Mr. {Markey.} Great. The gentleman's time has expired.

162 The Chair recognizes the Chairman of the full committee,
163 the gentleman from California, Mr. Waxman.

164 The {Chairman.} Thank you very much, Chairman Markey.

165 Before we start crying about what things are going to be
166 like, let us realize where they are right now for consumers.

167 Our consumers are paying an average American household \$2,800
168 more in 2008, for basic energy needs than they spent in 2001.

169 This is not a consumer-friendly time in the energy sector.

170 Average household expenditures for gasoline, electricity, and
171 home heating increased by 81 percent between 2001, and 2008,
172 almost four times the overall inflation rate in this same
173 period of time, which was 21 percent.

174 And while energy prices climbed, our dependence on oil
175 grew. We send more and more of our wealth overseas instead
176 of keeping it here at home, and with no plan to address
177 global warming our children's future is in jeopardy.

178 Low-income consumers take a drubbing in the current
179 system. Not only do they bear unaffordable energy costs,
180 families with low income also find it harder to cope with the
181 public health consequences of unchecked climate change. The
182 poorer often hit the hardest by extreme weather events that
183 will increase if we fail to reduce global warming. The

184 pictures coming out of New Orleans after Hurricane Katrina
185 showed an unforgettable contrast in the abilities of the rich
186 and the poor to cope with such catastrophes.

187 This committee will have an opportunity to put the
188 country back on track. If we enact a comprehensive energy
189 and climate bill, we can help low-income families while
190 helping all American families. Low-income and all American
191 families will benefit from the increase in domestic jobs that
192 will accompany a clean-energy future. They will benefit from
193 reducing our dependence on foreign oil, which will, in turn,
194 reduce the need for our military to engage in unstable parts
195 of the world. We can turn the page to a brighter future, but
196 we must design our legislation carefully.

197 The witnesses you have assembled today will tell us a
198 poorly-designed program to reduce global warming, pollution
199 could impose significant costs on low-income consumers. This
200 means that we have to be smart about how we are going to
201 design this legislation.

202 There are various ways to assist consumers, especially
203 low-income consumers with a transition to clean energy future
204 and reduce global warming pollution. We are going to hear
205 about energy efficiency programs that can reduce consumers
206 energy bills, even if the rates increase, and reduce the
207 overall costs of the program to the country as a whole. By

208 making the country more efficient these programs make our
209 economy more competitive.

210 The Center on Budget Policy and Priorities suggest that
211 allowances be auctioned and that some of the proceeds be sent
212 to low and perhaps middle-income consumers to offset
213 increased costs of reduced global warming pollution. Another
214 suggestion is to provide allowances for the benefit of
215 consumers to local companies that distribute electricity and
216 natural gas, and we will hear from a consumer advocate and an
217 electricity company about how that approach would work. I
218 think it is important we have this hearing, we recognize the
219 consequences of legislation on consumers as we obviously have
220 to recognize the consequences on industries, businesses, our
221 trade, and our economic future overall. And that is part of
222 the job of making sure that we pass a broad, comprehensive
223 energy bill which we hope to do before the Memorial Day
224 recess.

225 Thank you, Mr. Chairman. Yield back my time.

226 [The prepared statement of Mr. Waxman follows:]

227 ***** COMMITTEE INSERT *****

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228 Mr. {Markey.} The gentleman's time has expired.

229 The Chair recognizes the Ranking Member of the full
230 committee, the gentleman from Texas, Mr. Barton.

231 Mr. {Barton.} Thank you, Mr. Chairman. Before I do my
232 opening statement, could I just ask a process question? And
233 I don't know the answer, so this is not a set up.

234 Mr. {Markey.} Absolutely.

235 Mr. {Barton.} Most of our hearings are televised where
236 we have a TV feed here, and if we want to stay in our office
237 and watch it on the internal House channels we can. I notice
238 our cameras aren't on. Is--do we have a technical problem,
239 or is there--

240 Mr. {Markey.} Can I--I thank the gentleman. The
241 gentleman from Illinois, Mr. Shimkus, brought this issue to
242 our attention last week.

243 Mr. {Barton.} Oh, I am sorry.

244 Mr. {Markey.} No, that is fine, and on Tuesday the
245 House--

246 Mr. {Barton.} I know you are not camera shy.

247 Mr. {Markey.} --the office responsible for this brought
248 up a separate group of portable cameras that made it possible
249 for all of this to be televised as they repair these cameras.
250 We made the same request for this morning. We thought that

251 they were going to be showing up again this morning with all
252 the portable equipment, and they are not here.

253 Mr. {Barton.} Okay.

254 Mr. {Markey.} But the request was made. Our goal was
255 to have the set-up the same as it was on Tuesday, and I
256 actually don't know what happened, but I know that--

257 Mr. {Barton.} But these cameras just don't work.

258 Mr. {Markey.} They do not work.

259 {Voice.} I thought it was because the Michigan, Iowa
260 basketball game in the first round of the Big Ten Tournament
261 is--

262 Mr. {Markey.} What time is that on today?

263 {Voice.} 2:30.

264 Mr. {Markey.} Okay. Okay. The hearing will be
265 concluded before 2:30.

266 Mr. {Barton.} Thank you. I just wondered about--thank
267 you.

268 Mr. {Markey.} So I don't--I will find out what
269 happened.

270 Mr. {Barton.} Okay. Not a problem. Thank you, Mr.
271 Chairman, for this hearing.

272 The task of the hearing consumer protection policies in
273 climate legislation is almost an oxymoron. It is not quite,
274 but it is obvious that if you have a serious cap in trade

275 component to climate change legislation, that there are going
276 to be serious economic consequences. I don't think those
277 economic consequences can be overcome by some sort of an
278 internal reshuffling of the monies that are raised through
279 the carbon tax, through a cap-and-trade policy. But it is a
280 noble cause to at least attempt to see if they might, could
281 be alleviated.

282 The best way to alleviate or guarantee consumer
283 protection in climate change legislation is not have a cap-
284 and-trade component in my opinion. Having said that, I look
285 forward to hearing the witnesses. We have six excellent
286 witnesses, and we are going to have a variety of opinions
287 from these witnesses. I have perused their preliminary
288 testimony or the testimony that we have received in advance,
289 and I think we will have a pretty lively hearing.

290 With that I yield back, Mr. Chairman.

291 [The prepared statement of Mr. Barton follows:]

292 ***** COMMITTEE INSERT *****

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293 Mr. {Markey.} The gentleman's time has expired.

294 The Chair recognizes the gentleman from California, Mr.
295 McNerney.

296 Mr. {McNerney.} Thank you, Mr. Chairman.

297 We all know that energy usage is a complex and
298 difficulty question. We have peak oil looming, which has
299 related problems of price increases. We have climate change,
300 we have national security. But we in this committee have the
301 responsibility to address this question in a reasonable and
302 rational way.

303 Cap-and-trade I believe can be used as a tool to reduce
304 our consumption, to reduce our greenhouse emissions, but we
305 must be doing, we must do it rationally, we must do it
306 thoughtfully. Certainly we have a variety of opinions which
307 need to be taken into account. We are not going to shove
308 cap-and-trade legislation down the pike without taking these
309 viewpoints into consideration.

310 But I want to say we don't want to get trapped by the
311 false choice that we can have either clean energy or a good
312 economy but not both. That is a false choice. We--the real
313 choice, I think, is to become efficient and to create new
314 forms of energy. We can do that. Cap-and-trade legislation
315 can help us get there. The real question is how do we do it

316 in a way that doesn't hurt the people at the bottom, hurt the
317 people that are suffering through high utility bills. We can
318 use the revenue from cap-and-trade to do that. We can use it
319 in a rational way, and I think everyone is going to benefit.
320 Our national security is going to benefit. We are going to
321 reduce our consumption. We are going to reduce greenhouse
322 gas emissions.

323 So I look forward to what the testimony is going to be
324 this morning, and I yield back to the committee.

325 [The prepared statement of Mr. McNerney follows:]

326 ***** COMMITTEE INSERT *****

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327 Mr. {Markey.} Okay. The gentleman's time has expired.

328 The Chair recognizes the gentleman from Pennsylvania,

329 Mr. Pitts.

330 Mr. {Pitts.} Thank you, Mr. Chairman, and I would like

331 to thank you for convening this hearing today on this

332 important topic.

333 As this committee moves forward, I believe that it is

334 essential to keep in mind the negative effects that

335 improperly-drafted climate change legislation will have on

336 the consumers. The best way to protect consumers is to

337 protect their jobs and keep the economy from tanking.

338 Unfortunately, cap-and-trade legislation would do

339 exactly the opposite, causing serious economic hardships. If

340 a cap-and-trade bill looks anything like the Lieberman,

341 Warner bill we saw last year, it will have drastically

342 negative effects on consumers and the economy. According to

343 a Heritage Foundation study, in the first 20 years alone the

344 bill would have resulted in aggregate real GDP losses of

345 nearly \$5 trillion. In the first 20 years it would have

346 destroyed 900,000 jobs and caused nearly 3 million job losses

347 in the manufacturing sector by 2029. Fifty percent of jobs

348 in the manufacturing sector would have been lost. In

349 Pennsylvania it was projected that 94,500 jobs would have

350 been lost in the manufacturing sector by 2030, and according
351 to their model in my district alone \$260 to \$294 million
352 would have been lost in gross State product in 2025.

353 This does not sound like a consumer protection measure
354 to me, and no amount of investment and efficiency measures,
355 direct rate reductions or rebates will mitigate the effects
356 of tremendous job losses in a terrible economy.

357 Mr. Chairman, our economy is suffering right now. We
358 all recognize that. It is my belief that passing a cap-and-
359 trade bill will continue to add to the economic pain most
360 Americans are feeling right now.

361 So I look forward to hearing from our witnesses today
362 about how we can truly help consumers and to protect our
363 environment and atmosphere. I yield back.

364 [The prepared statement of Mr. Pitts follows:]

365 ***** COMMITTEE INSERT *****

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366 Mr. {Markey.} The gentleman's time has expired.

367 The Chair recognizes the gentlelady from California, Ms.
368 Capps.

369 Ms. {Capps.} Thank you, Mr. Chairman.

370 Climate change legislation is not only about caps and
371 kilowatt hours but also about kids and communities. The
372 legislation we pass must account for consumers, especially
373 those who are least able to pay for their energy needs. To
374 that end I am very grateful that we are holding this hearing
375 today, and I want to thank our witnesses for traveling here
376 to talk with us about this incredibly important issue.

377 In my home State of California we have an unemployment
378 rate of more than 10 percent and a poverty rate that is over
379 13 percent. Like my colleagues, I am very concerned about
380 adding any additional financial burden to those already
381 struggling in these difficult economic times. Low and
382 moderate-income households are always disproportionately
383 affected by hikes in energy costs.

384 However, I am greatly encouraged by the proposals on the
385 table today that seek to offset costs for lower-income
386 households. Studies by the Congressional Budget Office
387 suggest that lower-income households could even be better off
388 as a result of a well-executed cap-and-trade program, and

389 this assessment does not even include the additional benefits
390 that all citizens will experience as the result of a
391 reduction in greenhouse gasses and hopefully a slowing or
392 reversal of climate change.

393 As we heard yesterday from United Nations Secretary
394 General, Ban Ki-moon, the cost of inaction are far greater
395 than the cost of action. And these include costs to human
396 health, to our natural resources, and to our infrastructure.
397 So we must act now, but we must also act wisely, ensuring
398 that we are always protecting the most vulnerable among us.

399 Mr. Chairman, I yield back.

400 [The prepared statement of Ms. Capps follows:]

401 ***** COMMITTEE INSERT *****

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402 Mr. {Markey.} The gentlelady's time has expired.

403 The Chair recognizes the gentleman from Kentucky, Mr.
404 Whitfield.

405 Mr. {Whitfield.} Chairman Markey, thank you very much,
406 and I want to thank the witnesses for being with us this
407 morning. Also, these hearings are vitally important, because
408 it is imperative that as we move forward on this very serious
409 issue that we do frame what the debate is all about, and I
410 think it is very clear that the debate is about the cost of
411 action versus the cost of inaction. And from all of the
412 studies that I have seen the cost of inaction really does not
413 have a--the cost of action does not have a quantifiable
414 benefit that can be calculated in my view.

415 The cost of implementing a cap-and-trade system and
416 renewable energy mandate definitely does have a quantifiable
417 cost. We asked a local cooperative in my district to
418 calculate the 5 cent-per-kilowatt-hour penalty that would be
419 assessed in Kentucky if they were not able to meet the
420 proposed renewable energy mandate, and a company, a mid-sized
421 manufacturing plant it would cost them \$18,000 per month more
422 as a penalty. And I think at this time with the economy
423 being as weak as it is, unemployment going up, that if we are
424 not very careful, a cap-and-trade system and renewable energy

425 mandate can really have a significant negative impact on our
426 economy.

427 The second part that I would just like to discuss
428 briefly is that the President in his budget said that the
429 cap-and-trade system would generate around \$641 billion of
430 additional revenue for the Government, and he has put that in
431 his Budget, but the sad thing about it is recognizing that
432 coal is going to continue to play a vital role, not only in
433 producing electricity in our country, but also in China.
434 There is not \$1 of that cap-and-trade revenue that is going
435 to go into the carbon capture and sequestration research and
436 technology, and I think that is a mistake.

437 But I do look forward to the testimony of our witnesses
438 today, and thank you for the hearing.

439 [The prepared statement of Mr. Whitfield follows:]

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441 Mr. {Markey.} The gentleman's time has expired.

442 The Chair recognizes the gentleman from Utah, Mr.

443 Matheson.

444 Mr. {Matheson.} I will waive, Mr. Chairman.

445 [The prepared statement of Mr. Matheson follows:]

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447 Mr. {Markey.} The Chair recognizes the gentleman from
448 Georgia, Mr. Barrow.

449 Mr. {Barrow.} I will waive.

450 [The prepared statement of Mr. Barrow follows:]

451 ***** COMMITTEE INSERT *****

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452 Mr. {Markey.} The Chair recognizes the gentlelady from
453 California, Ms. Matsui.

454 Ms. {Matsui.} Thank you, Mr. Chairman. I am very
455 pleased to be here today, and I am glad that this
456 subcommittee is taking a broad look at this issue; from
457 meeting with the Secretary General of the United Nations on
458 international strategies and getting into specifics of
459 helping consumers with our panel today. On that topic, I
460 would like to thank today's panelists. We appreciate your
461 time and expertise on these matters.

462 I think we all agree that as we craft a comprehensive
463 bill we need to ensure that includes protections for
464 consumers. The way we distribute allowances and who receives
465 them will greatly impact our constituents across this
466 country. That is why I look forward to hearing our
467 panelists' advice on strategies that this committee can use
468 as we draft this bill.

469 We need to understand how to allocate allowances so that
470 we can effectively reduce our overall emissions. We have a
471 responsibility to ensure that consumers negatively affected
472 by this bill see some relief, and we must also be aware that
473 there are significant costs to our constituents that are
474 associated with inaction.

475 I hope our witnesses today can help us all understand
476 the role that allocations can play as we craft a climate
477 change bill. This is one of the most important topics we
478 will consider during this entire process, and I am looking
479 forward to today's testimony.

480 And once again, Mr. Chairman, thank you very much for
481 this hearing. I yield back the balance of my time.

482 [The prepared statement of Ms. Matsui follows:]

483 ***** COMMITTEE INSERT *****

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484 Mr. {Markey.} The gentlelady's time has expired.

485 The Chair recognizes the gentleman from Louisiana, Mr.
486 Scalise.

487 Mr. {Scalise.} Thank you, Mr. Chairman, and our panel.

488 As this subcommittee considers climate change
489 legislation, it is critical that we also weigh the effects
490 that climate change legislation will have on American
491 families, especially in these tough economic times. Creating
492 a market for emissions will impose costs to consumers. This
493 is just basic economics.

494 Peter Orszag, now the President's Budget Director, has
495 verified that energy taxes designed to decrease carbon
496 emissions will be passed onto American families. Estimates
497 show that the average annual household cost will be about
498 \$1,300 a year for a tax applied to a 15 percent cut in CO2
499 emissions. Mr. Orszag admitted to Congress last year that
500 the price increases borne by consumers are essential to the
501 success of a cap-and-trade program. In fact, he stated, and
502 I quote, ``Decreasing emissions would also impose costs on
503 the economy. Most of those costs will be passed along to
504 consumers in the form of higher prices for energy and energy-
505 intensive goods.''

506 While we consider these increased costs for utilities,

507 we must not overlook a very direct impact cap-and-trade
508 legislation will have on American jobs. The National
509 Association of Manufacturers estimates a net loss of three to
510 four million jobs as a result of a cap-and-trade program.
511 Other estimates reach as high as seven million jobs lost in
512 our economy.

513 And as we know, cap-and-trade will unfairly burden
514 certain regions of our country more than others. In my home
515 State of Louisiana we rely heavily on gas and nuclear for our
516 electricity generation, and under current proposals nuclear
517 is not considered a renewable source of energy, and as we saw
518 here yesterday, Secretary General of the U.N. even
519 acknowledges that he considers nuclear a renewable source of
520 energy.

521 So, Mr. Chairman, I urge caution as we pursue cap-and-
522 trade legislation that could have a devastating affect on our
523 economy and on American families, especially in these tough
524 economic times. We are all working hard to advance renewable
525 and alternative sources of energy, but it would be unwise for
526 us to pass policies that will only hinder our economic
527 recovery and place further hardships on American families.

528 I look forward to hearing from our panel today. Thank
529 you, and I yield back.

530 [The prepared statement of Mr. Scalise follows:]

531 ***** COMMITTEE INSERT *****

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532 Mr. {Markey.} Okay. The gentleman's time has expired.

533 The Chair recognizes the gentleman from Washington

534 State, Mr. Inslee.

535 Mr. {Inslee.} Thank you. Just to make a couple points,

536 I really think this hearing could be turned totally on its

537 head about protecting the consumers because it is very clear

538 that even if we did not do anything to help consumers through

539 this process of a cap-and-trade bill, even if we did nothing

540 and we don't intend to do nothing, but even if we intended to

541 do nothing, we would still reduce the damages that consumers

542 will otherwise experience in the next several decades. And

543 the reason is it is very clear that the path of inaction, the

544 path of doing nothing about climate change, which is the path

545 that many of the people in this room still want to pursue

546 unfortunately, we do know that that path will have enormous

547 costs to consumers.

548 It was the poor folks in Chicago who died in the heat

549 wave a couple of years ago. Those were the people who were

550 packed into the pathology labs were the poor people. It is

551 the people up in the Arctic who today are losing their

552 livelihood. There are Americans today who are losing their

553 ability to feed themselves in the Arctic today because of

554 climate changes. It is the people in the agricultural sector

555 who are picking our fruit and vegetables who are out of work
556 today because of some changes in the climate system.

557 So even in the absence of any action today to help
558 consumers in the cap-and-trade system, we are preventing more
559 damages those consumers and folks are going to experience in
560 this country. So I don't think the path of inaction is the
561 right one.

562 Secondly, I just want to say that the one thing I
563 learned in Europe, I went and spent a week there looking at
564 their cap-and-trade system, the biggest mistake they made was
565 giving away all the permits because it was a scandal. They
566 told me do not, whatever you do, don't give away all the
567 permits. You will be politically embarrassed, and the reason
568 is is because those costs then get, without adequate
569 protection, pushed down to the consumer. We don't intend to
570 make that mistake.

571 Thank you.

572 [The prepared statement of Mr. Inslee follows:]

573 ***** COMMITTEE INSERT *****

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574 Mr. {Markey.} The gentleman's time has expired.

575 The Chair recognizes the gentleman from Texas, Mr.

576 Gonzalez.

577 Mr. {Gonzalez.} Waive opening.

578 [The prepared statement of Mr. Gonzalez follows:]

579 ***** COMMITTEE INSERT *****

|
580 Mr. {Markey.} The Chair recognizes the gentlelady from
581 Wisconsin, Ms. Baldwin.

582 Ms. {Baldwin.} Thank you, Mr. Chairman. Addressing
583 climate change is truly a consumer protection issue as has
584 been mentioned already. Today we will look into consumer
585 protection policies for climate legislation. We must also
586 keep in mind that by taking steps to address our greenhouse
587 gas emissions we are protecting consumers for generations to
588 come. If we fail to act comprehensively, the impacts will be
589 felt through drastic losses; loss of life, loss of good
590 health, species extinction, loss of ecosystems, and social
591 conflict.

592 I believe that a federal cap-and-trade system can be
593 developed in a way that balances most of the negative effects
594 on consumers against the need to address climate change
595 threats to our economy, our environment, and our national
596 security.

597 In particular, we must design a system that minimizes
598 potential negative aspects that many States, like my own mid
599 western State of Wisconsin, may face due to our significant
600 industrial base and in the case of our State, our heavy
601 reliance on coal for electrical generation. My home State is
602 moving forward on its own goals to reduce our coal dependency

603 and to lower greenhouse gas emissions. Our governor has
604 committed the State to supporting a national economy-wide
605 cap-and-trade program. However, costs must be manageable and
606 how we design this system will determine who pays and how
607 much.

608 In other words, distribution of allowances and how we
609 apportion the revenue will be key to determining the costs
610 and the consumer impacts. As we take the necessary and bold
611 actions, we must be concerned about the impact of our actions
612 on consumers, which I believe we can do if we keep in mind
613 the diverse needs across our country and across American
614 households.

615 I look forward to the witness testimony today, and thank
616 you, Mr. Chairman, for this hearing.

617 [The prepared statement of Ms. Baldwin follows:]

618 ***** COMMITTEE INSERT *****

|
619 Mr. {Markey.} Thank you. The Chair recognizes that
620 gentleman from North Carolina, Mr. Butterfield.

621 Mr. {Butterfield.} Thank you very much, Mr. Chairman,
622 for convening this very important hearing and especially to
623 the six witnesses in front of me. Thank you for your
624 participation today.

625 Mr. Chairman, this is perhaps one of the most important
626 hearings that we have had to date. No other issue strikes
627 closer to the central conflict in this bill, that is, the
628 conflict between acting to prevent future climate
629 catastrophic occurrences for future generations and
630 protecting the current generation from bearing an undue
631 burden. The CBO, the Center on Budget and Policy Priorities,
632 Duke Power, have all projected the increased cost of energy
633 to be substantial under a cap-and-trade program. Of families
634 in my district with a child under the age of five, 40
635 percent. Yes. Forty percent of those live below the poverty
636 line.

637 Now, when it comes to a necessity like energy, they
638 cannot afford to projected increase. I sat down with my
639 staff last night and we worked up a sample budget for a
640 single mom with two dependents and making \$8 an hour, and it
641 just won't fit. These people are hurting, and they cannot

642 absorb the increase in the cost of electricity.

643 To that end I support disbursement of considerable
644 auction revenue to be returned to low and middle-income
645 households to offset the cost of our policy. The Chairman's
646 bill last year took a promising approach to meeting this need
647 by committing to completely offset energy cost increases for
648 two-thirds of all U.S. households.

649 Further, the CBPP has made extensive proposals to deal
650 with this issue, and I eagerly anticipate Mr. Greenstein's
651 testimony. Maintaining an approach that holds at least
652 guilty consumers harmless in our policy is absolutely
653 imperative. The problem offers us an opportunity, Mr.
654 Chairman, to think creatively, employing a variety of
655 techniques, from rebates to energy efficiency to mitigate the
656 cost and make this thing work.

657 Now, Mr. Chairman, I am certainly not alone in this
658 view. They have been expressed by many others. I have a
659 letter with me today from the National Rural Electric
660 Cooperative Association that I ask unanimous consent to
661 include in the record today.

662 Mr. {Markey.} Without objection it will be included.

663 [The information follows:]

664 ***** COMMITTEE INSERT *****

|
665 Mr. {Butterfield.} With that, Mr. Chairman, I yield
666 back.

667 [The prepared statement of Mr. Butterfield follows:]

668 ***** COMMITTEE INSERT *****

|
669 Mr. {Markey.} Great. The gentleman's time has expired.

670 The Chair recognizes the gentleman from Texas, Mr.

671 Green.

672 Mr. {Green.} Thank you, Mr. Chairman. I know my
673 colleague from North Carolina was talking about Greenstein,
674 Mr. Green Jeans, I have been called that a couple times, and
675 I used to say it added about ten points to my name ID because
676 that as a childhood--some of us watched Captain Kangaroo.

677 I want to thank the Chairman for particularly including
678 this in our series of hearings on consumer protection policy
679 and climate legislation. While several our subcommittee
680 hearings thus far focused on efforts to protect our
681 environment, I am pleased today to hear focus on equal-
682 important policy objectives that protect the U.S. consumer
683 under any climate legislation. If we don't do that, no
684 matter what else we try to do, it will not work, because the
685 people in our country will respond. Those of us who to
686 support some reasonable control, if we don't control the cost
687 to the consumer, it is kind of like Social Security. I tell
688 people, don't worry about Social Security. There will be a
689 new Congress if we change Social Security to your detriment.
690 And I think this could happen with us.

691 I represent a predominantly blue-collar, low-income

692 district where employees must work long hours and oftentimes
693 double shifts just to make ends meet, and it is an energy-
694 producing district. It is the east end of Houston, Texas,
695 Harris County, where we have petrochemical complexes, and we
696 still produce natural gas and oil in our district. But I am
697 also proud to have the largest bio-fuel refinery in the
698 country.

699 With family budgets already stretched thin, any
700 additional increase in electricity, natural gas, or gasoline
701 bills as a result of climate legislation will necessitate
702 tough family choices between whether to pay bills, put food
703 on the table, or to purchase much-needed medication. Low-
704 income households already spend more than five times their
705 household income on energy than high-income households and
706 less likely to be able to afford home weatherization services
707 or to purchase more-efficient appliances.

708 And our climate change policy leads to--if our climate
709 change policy leads to energy supply disruption and price
710 spikes without effective remediation, consumers and voters
711 will begin to question that policy. Perhaps one of the most
712 important design elements with any cap-and-trade address the
713 price impacts to the consumers is allocation of emission
714 allowances and the distribution of auction allowance
715 proceeds. As evidenced in the President's budget proposal,

716 auction allowances have the ability to generate over half a
717 trillion dollars to the Federal Government in less than 10
718 years alone. There will be huge demands for these funds, and
719 consumers need more than the government's promise that they
720 will receive future assistance to dampen the cost impacts of
721 climate legislation.

722 In the power sector there is a growing consensus to
723 allocate allowances to the local distribution companies or
724 LDCs, which are required by law to act in the public interest
725 and pass through allocation benefits to consumers. This
726 proposal has merit and must be further flushed out to ensure
727 utilities have the infrastructure in place to accurately
728 collect consumer data that can target all needy consumers in
729 the LCD allocation distribution but not disadvantage LDCs
730 that serve low-income families with lower-per-capita energy
731 consumption.

732 Mr. Chairman, I know I am out of time, so I appreciate
733 your patience today.

734 [The prepared statement of Mr. Green follows:]

735 ***** COMMITTEE INSERT *****

|
736 Mr. {Markey.} The gentleman's time has expired.

737 The Chair recognizes the gentleman from Illinois, Mr.
738 Shimkus.

739 Mr. {Shimkus.} Thank you, Mr. Chairman. I see we have
740 no cameras again today.

741 Mr. {Markey.} May I say, and we will just hold the time
742 here that I already had this conversation with Mr. Barton,
743 and we did make the request for these, for the, that portable
744 equipment here, and I expected it to be here today, but we
745 were told this morning that Armed Services and the Oversight
746 Committee at full committee, there is only two of these
747 portable systems that they have, and that they were having
748 the hearings in their full committee rooms, and we could not,
749 unfortunately, persuade them to move them over here.

750 But that was my--

751 Mr. {Shimkus.} No. I understand. I just--

752 Mr. {Markey.} --expectation this morning.

753 Mr. {Shimkus.} Yeah. And I understand, and I
754 appreciate your effort. I just say if the world is coming to
755 the end because of climate change, that this probably should
756 take precedence over the military hearing or the oversight
757 hearing. If the world is ending, the public ought to know
758 about it. And I think we are, you know, it begs the question

759 of how important these hearings are if we are not willing to
760 televise them.

761 We are on Universal Service Fund downstairs. It is an
762 important issue to my district. I think if the world is
763 ending, this is even more important than the Universal
764 Service Fund. So I am going to continue to, as you would
765 expect, to belabor the point.

766 Mr. {Markey.} And by the way, it is a point worth
767 belaboring. Okay. This is not something that I understand
768 exactly why House, the House can't fix these cameras. Okay.
769 I don't understand it, and I don't understand how the House
770 Armed Service Committee and House Oversight Committee doesn't
771 have rooms that have a camera in them. I don't--

772 Mr. {Inslee.} Mr. Chairman.

773 Mr. {Markey.} Yes.

774 Mr. {Inslee.} I just want to report that my
775 constituents, they do believe the world is ending in not
776 being able to see John Shimkus. Believe me. This is a
777 perception that is shared widely in my district. I just
778 wanted to--

779 Mr. {Markey.} I am going to work very hard to solve
780 this problem, but, believe me, I have learned more about the
781 operations of cameras in committee rooms in the last 1 week
782 since your point has been made, very validly, by the way.

783 Mr. {Shimkus.} About the only thing I can get done in
784 this Congress, Mr. Chairman.

785 Mr. {Markey.} That is not so. That is absolutely not
786 so.

787 Mr. {Shimkus.} But, thank you.

788 I have talked about the job loss issue. Kincaid,
789 Illinois, 1,200 mines because of the 90 amendments. Last
790 hearing I had, I talked about 14,000 mine workers just in
791 southern Illinois losing their jobs. It is great we got the
792 Ohio Coal Association here, and in his testimony on--I will
793 just read it. ``In the 15 years following the 1990, passage
794 of the Clean Air Act, which imposed drastic reductions in
795 coal production, Ohio lost nearly 120 mines, costing more
796 than 36,000 primary and secondary jobs. These impacted areas
797 of my State, the State of Ohio, that have spent years
798 recovering and some never will,'' and sir, that is southern
799 Illinois. Exactly the same.

800 And the more and more we learn about climate change and
801 cap-and-trade, the more you find out that, what this is all
802 about. This is about a simple premise of monetizing carbon,
803 and what it will do, it will pay people not to manufacture.
804 If you have a coal-powered plant, and you have credit, and
805 there is a trading floor, you can shut that power plant off
806 and make money. Simply put. And whose money is it? It is

807 the rate payers' money. It is taxes. It is earning income
808 that is going to go away. This is probably the number one
809 biggest distribution of wealth plan that this country has
810 ever seen, and that is why these things have to be covered,
811 televised. And that is why some of us are skeptical that the
812 truth is being inhibited from being told to the public.

813 One hundred percent option will pay people to stop
814 generating electricity. Well, pay them. That is not a
815 policy that we want. It deprives us of our economic
816 livelihood. It distributes wealth around the world. It is
817 bad policy. We are going to fight it.

818 [The prepared statement of Mr. Shimkus follows:]

819 ***** COMMITTEE INSERT *****

|
820 Mr. {Markey.} I thank the gentleman.

821 And I would just make this note. When we are talking
822 about televising, we are talking about televising on the
823 internal House system so that members and staffs in their
824 offices can see this subcommittee hearing. We are not
825 talking about C-Span.

826 Mr. {Shimkus.} No. Would the gentleman yield?

827 Mr. {Markey.} I will just finish the point. What C-
828 Span has to decide on a daily basis as an editorial decision
829 is which committee hearings they are going to actually put on
830 C-Span. And so this hearing right now would be competing
831 with about another 30 hearings on the House and Senate side
832 as to whether or not they would actually broadcast it on C-
833 Span.

834 So what we are talking about principally here is that
835 other offices can see this hearing rather than--

836 Mr. {Shimkus.} No. That is--Mr. Chairman, if the
837 Chairman would yield, that is not directly true. We, this
838 also could be streamed online right now.

839 Mr. {Markey.} But that is not accurate.

840 Mr. {Shimkus.} And the other thing is C-Span will air
841 hearings throughout the weekend and not in real time. So I
842 understand your point.

843 Mr. {Markey.} I understand.

844 Mr. {Shimkus.} If the firm doesn't think we are going
845 down the wrong path--

846 Mr. {Markey.} No. I agree with--again, I agree with
847 you. I agree with you, and this audio stream is going out,
848 and there are print press here that are reporting what
849 happens here, but I agree with you 100 percent. I wish that
850 this was being televised.

851 Let me now turn and recognize the gentleman from
852 Vermont, Mr. Welch.

853 Mr. {Welch.} Thank you, Mr. Chairman. I will waive my
854 opening statement.

855 [The prepared statement of Mr. Welch follows:]

856 ***** COMMITTEE INSERT *****

|
857 Mr. {Markey.} The Chair recognizes the gentleman from
858 Texas, Mr. Burgess.

859 Mr. {Burgess.} Thank you, Mr. Chairman, and I
860 appreciate you having this hearing, and I know you are
861 working as hard as you can to get the television cameras
862 turned back on.

863 We have to face the stark reality that the United States
864 as a Nation is getting older, and we may be looking at a time
865 in the not too distant future where those who could least
866 afford to pay for more, more for their energy needs are
867 exactly those who are going to be affected under a cap-and-
868 trade regimen.

869 Last August the United States Census Bureau reported
870 that today 40 percent of the United States' population is
871 over the age of 45, and according to their projections 43
872 percent will be over the age of 45 in 2025. In addition, we
873 have a shrinking population under the age of 18, so we are
874 talking about a large majority of our population who are
875 either past their peak earning years so it will be more
876 difficult for them to pay higher energy costs or will be
877 living on a fixed income. People on a fixed income cannot
878 afford increases in their monthly energy bills. In fact, it
879 is the antithesis of a compassionate society that charges

880 more for energy for those who can least afford it.

881 Even more troubling is the realization that every worker
882 who retires is not replaced with another equal-wage earner.
883 So when you look at these numbers you begin to see that we
884 are looking at a potentially very troubled scenario in the
885 earning situation in America's future, which will be directly
886 impacted by high costs for energy.

887 People take less flights, drive less, buy smaller
888 houses, use less energy, all that may be to the good, but if
889 the goal of cap-and-trade is to reduce the use of energy,
890 then maybe it is not the best strategy. Based upon these
891 projections from the United States Census Bureau, in 2025,
892 the majority of our population is not going to be able to
893 afford the amount of energy they use today, even without a
894 new tax through cap-and-trade.

895 So, Mr. Chairman, I am anxious to hear from our
896 witnesses today about how we can protect consumers from
897 increased energy costs and as a result of what we are going
898 to do in this committee with our cap-and-tax regimen.

899 With that I will yield back my time.

900 [The prepared statement of Mr. Burgess follows:]

901 ***** COMMITTEE INSERT *****

|
902 Mr. {Markey.} Great. The gentleman's time has expired.

903 The Chair recognizes the gentleman from Texas, Mr. Hall.

904 Mr. {Hall.} Mr. Chairman, thank you. I will be very
905 brief, and I don't know what has been testified to. I have
906 seen some of the testimony, but I just make the simple
907 statement that any cap-and-tax or cap-and-energy tax and
908 scheme is going to create a regulatory nightmare that we
909 can't live with. But we know that, Mr. Chairman, and I
910 admire you and respect you and you know it, and you have
911 numbers on us, and you are going to pass whatever you hand
912 out over there.

913 I think I have quoted this to you before back through
914 the 28 years we have been sitting together here, said the
915 young madam of Siam to her lover, young Kiam, ``If you kiss
916 me, of course, you got to use force, but God knows you are
917 stronger than I am.'' So you are going to pass it, but I
918 just urge you to be as kind and gentle with the taxpaying
919 public as you can.

920 I yield back my time.

921 [The prepared statement of Mr. Hall follows:]

922 ***** COMMITTEE INSERT *****

|
923 Mr. {Markey.} Honestly, Ralph, I see this as something-
924 -my goal is like the Telecommunications Act of 1996, that
925 wound up at 423 to three, that ultimately we should all work
926 it out, and it should be us in Boston as it always is and--

927 Mr. {Hall.} Were one of the three?

928 Mr. {Markey.} I can tell you who those three were, and
929 it is a good story. Each one was a good story.

930 Mr. {Hall.} Okay. I will still yield back my time.

931 Mr. {Markey.} Great. The gentleman's time has expired.

932 The Chair does not see any other members seeking
933 recognition at this time. So we will turn to our very
934 distinguished panel, and we will ask our first witness, Mr.
935 Steven Kline, to begin testifying.

936 Steve is the Vice-President of Corporate Environmental
937 and Federal Affairs for the Pacific Gas and Electric
938 Corporation. PG&E Corporation is an energy-based holding
939 company based in San Francisco. He has worked extensively on
940 all of these issues. We welcome you, sir.

|

941 ^STATEMENTS OF STEVE KLINE, VICE-PRESIDENT OF CORPORATE
942 ENVIRONMENTAL AND FEDERAL AFFAIRS, PACIFIC GAS AND ELECTRIC
943 CORPORATION; SONNY POPOWSKY, CONSUMER ADVOCATE OF
944 PENNSYLVANIA, PENNSYLVANIA OFFICE OF THE CONSUMER ADVOCATE;
945 ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER ON BUDGET
946 POLICIES AND PRIORITIES; STEVEN F. HAYWARD, AMERICAN
947 ENTERPRISE INSTITUTE; MIKE CAREY, OHIO COAL ASSOCIATION; AND
948 JOHN S. HILL, DIRECTOR FOR ECONOMIC AND ENVIRONMENTAL
949 JUSTICE, UNITED METHODIST CHURCH, GENERAL BOARD OF CHURCH AND
950 SOCIETY

|

951 ^STATEMENT OF STEVE KLINE

952 } Mr. {Kline.} Good morning, Chairman--

953 Mr. {Markey.} If you could move that microphone in a
954 little bit closer.

955 Mr. {Kline.} Certainly. Is that better?

956 Mr. {Markey.} Yes. Please.

957 Mr. {Kline.} Ranking Member Upton, and members of the
958 committee. Thank you for the opportunity to be before you
959 today. PG&E is one of the Nation's--

960 Mr. {Markey.} Move it in just a little bit closer.

961 Mr. {Kline.} PG&E is one of the Nation's largest

962 utilities and has long been working on clean energy, energy
963 efficiency, and the effort to address climate change. We
964 strongly support comprehensive climate change legislation.
965 In our view the best solution is a well-designed, economy-
966 wide, market-base cap-and-trade program.

967 In my written testimony I have defined well-designed by
968 detailing certain basic building blocks as the foundation for
969 any cap-and-trade effort. But also to state that even with
970 the best design consumer protections are going to be
971 critical. For electricity and natural gas consumers one of
972 the most defective, efficient, and transparent ways to
973 accomplish this is by directing allowance value to regulated
974 local distribution companies or LDCs where it can be put to
975 the benefit of consumers. In fact, LDCs are virtually tailor
976 made for this role. They are closest to the end-user
977 consumer, they understand better than anyone how to work with
978 individual customers in their area, and in many cases, like
979 PG&E, they already run existing initiatives like energy
980 efficiency, low-income programs, and others which can serve
981 as the infrastructure for delivering value back to customers.

982 Most importantly, LDCs operate under the direct
983 oversight of State utility commissions or other governing
984 boards. This provides the means to assure that the value of
985 the allowances is returned to consumers in a timely,

986 targeted, and transparent manner that overall advances the
987 objectives of the National Climate Program.

988 There are important built-in vantages that lend
989 themselves ideally to this task at hand, and we believe
990 Congress can take full advantage of them. In order to do
991 that, we recommend the following framework.

992 Allowances should be allocated to LDCs. LDCs would then
993 sell the allowances and use the proceeds to buffer consumer
994 impacts in a way that doesn't undermine the incentive to
995 reduce their usage and hence emissions. Congress should set
996 guidelines for using allowance value, require timely and
997 transparent reporting on how to allocate, and how the value
998 is used.

999 Allowance value provided to LDCs for consumer benefits
1000 should obviously fall under the guidance of State public
1001 utilities commissions. LDCs should be required to invest the
1002 revenue from selling allowances solely to benefit consumers.
1003 This includes investing in programs to assist low and
1004 moderate-income consumers, small businesses, as well as to
1005 advance energy efficiency and reduce demand.

1006 This point is critical. Energy efficiency and demand
1007 reduction are two of the best ways to sustainably contain
1008 costs for consumers and do it in a manner that improves their
1009 comfort and standard of living. In fact, many States have

1010 comprehensive energy efficiency programs that save customers
1011 \$2 to \$4 for every dollar invested. These programs also
1012 create significant new energy service jobs and through
1013 increased efficiency drive broad economic growth.

1014 We are convinced that if one of the goal of a national
1015 program is increasing energy efficiency and lowering demand
1016 that no better mechanism exists than directing allowance
1017 value through LDCs, and leveraging the established
1018 relationships between LDCs and their customers provides the
1019 best opportunity for success. It is worth noting that PG&E
1020 is not alone in supporting LDC allocations. Others include
1021 the NARLC, National Association of Regulatory Utility
1022 Commissioners, the Natural Defense--I am sorry. Natural
1023 Resources Defense Council, Environmental Defense Fund, the
1024 National Commission on Energy Policy, U.S. Climate Action
1025 Partnership or U.S. CAP, the Clean Energy Group, the Edison
1026 Electric Institute, the American Gas Association, and the
1027 American Public Gas Association. These are submitted as
1028 attachments to my prepared testimony.

1029 In closing, let me say that our country has a historic
1030 opportunity to change the way we produce and use energy,
1031 producing huge environmental and economic benefits, but this
1032 is a long journey. It has to be sustainable over time, and
1033 that means we have to take careful steps at the outset to

1034 assist consumers along the way. We believe LDC allocations
1035 are one way to do that. Thank you.

1036 [The prepared statement of Mr. Kline follows:]

1037 ***** INSERT 1 *****

|
1038 Mr. {Markey.} Thank you very much, Mr. Kline.

1039 Our next witness is Mr. Sonny Popowsky, Consumer

1040 Advocate of the State of Pennsylvania, where he represents

1041 consumer matters with their utility companies. We welcome

1042 you, sir, and whenever you are ready, please begin.

|
1043 ^STATEMENT OF SONNY POPOWSKY

1044 } Mr. {Popowsky.} Thank you, Mr. Chairman, Mr. Upton,
1045 members of the committee. My name is Sonny Popowsky. I have
1046 been the Consumer Advocate of Pennsylvania since 1990, and I
1047 have been a member of that office since 1979. My office is
1048 also a member of the National Association of State Utility
1049 Consumer Advocates.

1050 Let me state at the outset that the National
1051 Association, NASUCA, supports the enactment of federal
1052 legislation to reduce greenhouse gases on an economy-wide
1053 basis. As representatives of utility consumers, however, it
1054 is NASUCA's position that any greenhouse gas emission
1055 reduction program for the electric industry should provide
1056 appropriate emission reductions while minimizing the cost to
1057 consumers and must not produce windfall gains for electric
1058 generators at the expense of electric customers.

1059 Now, the primary focus of the Congressional debate has
1060 been on the development of a cap-and-trade program for carbon
1061 dioxide. I think that is understandable given the success
1062 from an economic perspective of the Clean Air Act of 1990,
1063 with respect to the reduction in sulfur dioxide emissions.

1064 But Congress must recognize that the electric industry

1065 of 2009, is far different from the electric industry of 1990,
1066 particularly in those States such as my home State of
1067 Pennsylvania that have restructured or deregulated the
1068 generation function of our electric utilities. What worked
1069 to reduce pollution at reasonable costs for the United States
1070 Electric Industry of 1990, could well result in much higher
1071 costs to consumers and many billions of dollars of
1072 unnecessary payments to generators in the electric industry
1073 of 2009.

1074 This difference is most clear in the question of how to
1075 distribute emission allowances among electric provides. In
1076 1990, under the Clean Air Act allowances were initially
1077 allocated at no charge to utility generators, but the benefit
1078 of those free allowances in 1990, could be flowed back to
1079 customers through cost-based rates throughout the Nation. To
1080 the extent that the utilities incurred costs to comply with
1081 the Act through adding scrubbers or buying lower sulfur coal,
1082 those costs were passed through to customers but no more than
1083 that.

1084 The same is not true in the electric industry in 2009,
1085 particularly, again, in States like Pennsylvania and other
1086 restructured states where electricity is no longer regulated
1087 on a cost basis but on a market basis.

1088 So the first point to recognize is the one that you

1089 made, Chairman Markey, which is that if you give away an
1090 allowance to an unregulated generator, they are going to
1091 charge us for them anyway. Because in the unregulated
1092 markets like the market that we are a part of, the market
1093 value or opportunity costs of that allowance will still be
1094 reflected in the price that is charged by that generator.
1095 Your analogy to the scalper outside Boston Garden is exactly
1096 correct. That scalper won't pick up the ticket and give it
1097 away. The scalper will pick up the ticket off the ground and
1098 sell it at the market price.

1099 The second point is that the way our markets work and it
1100 is what is called the single market clearing price in the
1101 restructured markets, which, again, not just Pennsylvania but
1102 in these markets that are in a large part of the country, the
1103 single market price works that the highest cost unit that is
1104 operating in that given hour sets the price for the whole
1105 market. So if that high-price unit is a coal or even a gas
1106 unit that includes the cost of the--or the opportunity cost
1107 of the credit, that amount gets charged, gets paid to
1108 everyone, including, for example, nuclear units that don't
1109 have any emissions costs, that don't have to buy allowances
1110 but they will still get paid an amount in their charges as if
1111 they were incurring these costs.

1112 So the single-market clearing price would work, it is as

1113 if in your analogy, Chairman Markey, if the scalper charged
1114 \$100 to get into the Garden, everybody got charged \$100.
1115 That is the way it works. Everybody would have to pay the
1116 highest price. So that is another source of tremendous cost
1117 to customers under a cap-and-trade program if we think it is
1118 still 1990.

1119 Well, I think I agree with Mr. Kline, though, in that
1120 one way to address this is not to give away allowances to
1121 unregulated generators, but you can get around at least part
1122 of this by giving the allowances to the regulated
1123 distribution companies; the state regulator investor owned
1124 companies, the coops, immunities, and the other public power
1125 organizations. If we give the allowances to the regulated
1126 entities, at least we can make sure that to the extent those
1127 allowances are sold that the benefits go to consumers.

1128 That similar result can occur, as you know, in the RGGI
1129 states in the Regional Greenhouse Gas Initiative where the
1130 states can serve a similar role and can sell the allowances
1131 to the generators, but make sure that the allowance benefits
1132 go to customers, and the same could even be done at the
1133 federal level, but, again, the further away we get from the
1134 customer, the more it concerns me that the benefits of the
1135 allowances will not go to the customers.

1136 My last point is that simply raising the price of

1137 electricity through a cap-and-trade system is, I think,
1138 harmful and not the most cost-effective way to reduce
1139 emissions. We need complimentary policies such as increased
1140 energy efficiency and replacement of existing high carbon
1141 units with low or no carbon-emitting units. We need these
1142 complimentary policies that are designed to reduce costs for
1143 consumers and provide the environmental benefits at the
1144 lowest cost.

1145 Thank you.

1146 [The prepared statement of Mr. Popowsky follows:]

1147 ***** INSERT 2 *****

|
1148 Mr. {Markey.} Okay. Thank you, Mr. Popowsky, very
1149 much.

1150 Next witness is Mr. Robert Greenstein. He is the
1151 Founder and Executive Director of the Center for Budget and
1152 Policy Priorities. He was recently honored with the Heinz
1153 Award for Public Policy to recognize his work in improving
1154 the outlook of low-income, economic outlook of low-income
1155 Americans. And he has also won the John W. Gardner Award.
1156 We welcome you, sir.

|
1157 ^STATEMENT OF ROBERT GREENSTEIN

1158 } Mr. {Greenstein.} Thank you very much, Mr. Chairman,
1159 and in this testimony I will provide a different view than
1160 those you have just heard.

1161 Climate change policies can be designed in a way that
1162 preserve the incentives from higher energy prices while using
1163 proceeds from auctioning allowances to shield consumers. But
1164 to do that it is essential that most or all of the permits be
1165 auctioned rather than given away free. An argument is
1166 sometimes made that if the permits are given away free, costs
1167 to consumers won't rise as much.

1168 Economists across the political spectrum reject that
1169 argument. It ignores the basic laws of supply and demand.
1170 If allowances are given away free to firms that emit, the
1171 firms and their shareholders will reap on warranted benefits.
1172 The Congressional Budget Office has explained that and said
1173 that the result would be windfall profits. Former President
1174 George W. Bush's Chief Economic Advisor, Greg Mancue of
1175 Harvard, has explained the same thing and said the result
1176 would be large-scale corporate welfare.

1177 Most of the Center on Budgets' work on climate policy
1178 has focused on developing proposals to shield low and

1179 moderate-income households from increased poverty and
1180 hardship as a result of climate policies in a way that would
1181 be effective in reaching these households, efficient with low
1182 administrative costs, and consistent with energy conservation
1183 goals without lessening incentives to conserve.

1184 With these goals in mind we have designed a climate
1185 rebate that would offset the average impact of higher energy-
1186 related costs on low and moderate-income households. The
1187 energy would be delivered in two ways.

1188 For very-low-income households it would be programmed
1189 onto the debit cards that every State runs through State
1190 electronic benefit transfer systems. These are the debit
1191 card systems States already use to deliver food stamps and
1192 other forms of assistance to low-income families. You simply
1193 take everybody who is getting food stamps, everybody who is
1194 on the low-income subsidy for the prescription drug benefit.
1195 You just automatically program them onto the debit card.

1196 For low-income working families we already addressed the
1197 earned income tax credit each year for inflation. You just
1198 adjust it further for the energy price impact. What you now
1199 have is we have covered the bulk of the low-income
1200 population. Others who aren't in one of those two could
1201 apply. You have done it without creating a new bureaucracy,
1202 hardly any new administrative costs, no big amount of new

1203 paperwork, very efficient.

1204 We would also provide some additional money, must lesser
1205 amount, to the Low-Income Home Energy Assistance Program to
1206 fill gaps that otherwise aren't filled by the rebate.

1207 Now, recently, we have modified this proposal. So
1208 instead of just being for low and moderate-income households,
1209 it is low and middle-income households as well. That is not
1210 hard to do. We remove the earned income credit component,
1211 and we replace it with a tax credit that covers middle-income
1212 families and the working poor as well.

1213 How far up the income scale that will go, what the exact
1214 size of the rebate would be, that is up to you. You could--
1215 depends on what proportion of the permits you wanted to vote
1216 to this mechanism. But all of the variations that we have
1217 developed have one common principle. They all fully offset
1218 the average hit on low-income consumers because climate
1219 policies need not and should not push more Americans into
1220 poverty or make those who are poor already poorer.

1221 Now, we have been working on this for a year and a half,
1222 and we make these recommendations after careful examination
1223 of other approaches to consumer relief. I am afraid that
1224 other approaches have serious flaws. We are particularly
1225 concerned about approaches that rely on utility companies to
1226 provide consumer relief and proposals that would cut tax

1227 rates as distinguished from providing a tax credit.

1228 Let us take the tax rate. CBO has analyzed proposals
1229 that would auction the proceeds and use them to lower tax
1230 rates across the board. What they find is the bottom 60
1231 percent of the population is worse off, the tax reduction is
1232 less, the farther down the income scale, the greater degree.
1233 The degree to which it is less than the increase in energy
1234 prices. At the top of the income scale you get a tax cut
1235 that exceeds your income, your increase in energy prices. So
1236 that is clearly not a promising approach.

1237 Turning now to the utility company approach, let me be
1238 very clear that I do think that allocations to utility
1239 companies for energy efficiency improvements is something
1240 that merits very serious consideration. I am distinguishing
1241 that from allocations to utility companies for consumer
1242 relief, an approach that is deeply problematic for a number
1243 of reasons.

1244 First, utility companies do not routinely collect
1245 information on their customers' income, and, therefore, can't
1246 target it on low and moderate or lower and middle-income
1247 households. To do so they would have to set up new
1248 bureaucracies to collect income information and audit it, and
1249 they would turn to the Federal Government for billions of
1250 dollars of subsidies that would be needed to pay the cost of

1251 an administrative infrastructure that would duplicate what
1252 public programs already do.

1253 Secondly, we have an issue of millions of renters who
1254 don't pay utility bills directly but have them reflected
1255 through the rent.

1256 Thirdly, and particularly important, the utility company
1257 approach is aimed at electricity and natural gas bills. Over
1258 half of the impact on consumers of climate change legislation
1259 will come in other areas. Impacts on gasoline and in
1260 particular for all sorts of other goods and services, food
1261 and many other, any service that uses energy in the
1262 manufacture or transport to market is affected, you can't
1263 cover that through an allocation to the utility company.

1264 Fourth, there is no good formula for allocating
1265 emissions among the more than 3,300 LDCs in the country. I
1266 won't take the time to do it here but--in my oral testimony
1267 but almost any formula that has been suggested results in
1268 significant inequities, in many cases particularly to low and
1269 moderate-income communities.

1270 Fifth, limiting consumer assistance through utility
1271 companies artificially lowers households' utility bills and
1272 thereby reduces the incentives to conserve that are part of
1273 what we are trying to accomplish in the first place.

1274 Last and most important, the approach would necessarily

1275 fail. Bear with me for a moment. Let me just try and do
1276 some basic economics. We have a cap, and we give money to
1277 utility companies, and they keep electric rates down, then
1278 you do not get as much reduction in use of electricity. But
1279 the cap is still at the same level. So if you don't get as
1280 much reduction in electricity use, you have to get a bigger
1281 reduction in other energy use. What that means is the costs
1282 of meeting the cap go up. The price of the emissions
1283 allowances ends up being higher, and consumer costs go up
1284 more for other kinds of energy while they go up less for
1285 electricity.

1286 Bottom line we spend tens of billions of dollars giving
1287 allowances to the LDCs, and consumer impacts don't go down
1288 that much because other energy prices are jacked up in
1289 return. The bottom line is it ends up being kind of wasteful
1290 and inefficient.

1291 Mr. {Markey.} I apologize to you, Mr. Greenstein, but
1292 you are now 3 minutes over.

1293 Mr. {Greenstein.} I am sorry. I got one final
1294 sentence?

1295 Mr. {Markey.} One final sentence.

1296 Mr. {Greenstein.} The main form of criticism is that
1297 this would represent a tax increase. What I am proposing
1298 answers that criticism. You use the money for the broad

1299 middle class and the working poor for an offsetting tax cut.

1300 There is not net tax increase, and we protect people at the

1301 bottom. Answers the main criticism efficiently.

1302 Thank you.

1303 [The prepared statement of Mr. Greenstein follows:]

1304 ***** INSERT 3 *****

|
1305 Mr. {Markey.} Thank you, Mr. Greenstein, very much.
1306 Our next witness is Mr. Steven Hayward. He is an F. K.
1307 Weyerhaeuser fellow at the American Enterprise Institute,
1308 while focusing on the environment he has worked with a wide
1309 range of public policy issues. He is also the co-author of
1310 the Annual Index of Leading Environmental Indicators. We
1311 welcome you, sir.

|
1312 ^STATEMENT OF STEVEN HAYWARD

1313 } Mr. {Hayward.} Thank you, Mr. Chairman, and members of
1314 the committee for the invitation.

1315 At the American Enterprise Institute we try to take the
1316 long view of things, and so my own work and the work of about
1317 seven of us right now at AEI is trying to clarify the scope
1318 and challenge of reducing greenhouse gas emissions by 80
1319 percent from 1990, levels by the year 2050, a level of
1320 emissions it turns out that the U.S. last experienced around
1321 the year 1910, when our population was about 92 million
1322 people. But in 2050, our population will be about 420
1323 million people, which means our per capita greenhouse gas
1324 emissions will need to be about 2-1/2 tons down from 19-1/2
1325 tons today or 10 tons in 1910.

1326 What this means in one sentence is that attaining this
1327 target will require essentially replacing almost the entire
1328 fossil fuel energy infrastructure in the United States in the
1329 next 4 decades. Now, obviously you can't make a target like
1330 that in a single leap or even a series of leaps, and so what
1331 we are trying to do is get a grasp of the various scenarios
1332 of developing and scaling up potential technologies and what
1333 policy strategies might get us there.

1334 So the time being that we and lots of other people are
1335 talking about emissions trading, cap-and-trade, or straight
1336 up carbon tax, which like most economists we think is more
1337 efficient but obviously politically problematic. Still the
1338 seven of us at AEI have vigorous arguments about various
1339 parts of this, and it strikes me that if seven reasonably
1340 like-minded people, economists, one scientist, several
1341 lawyers, if seven like-minded people are wrestling with the
1342 problems of this, how much more difficult it is for you all
1343 in Congress with many more moving parts to worry about than
1344 we do, to wrestle with the policy.

1345 And it is also sobering to think that even if either
1346 carbon tax or the first round of cap-and-trade works
1347 according to plan, it gets us maybe 5 percent towards that
1348 2050, goal. I am not even sure that qualifies as a leap. It
1349 is more like two hopscotch squares. Still we have to start
1350 somewhere, and it is difficult to estimate what it is going
1351 to cost because a lot will depend on whether we auction some,
1352 half, or all the permits or allocate them for free as has
1353 been mentioned already. There is some low-end estimates if
1354 you give a lot of them away, assuming that the savings will
1355 be passed onto consumers. The caveats have already been made
1356 about that. To very high if they are auctioned and so forth.

1357 But still, I think we should take President Obama at his

1358 word when he told the San Francisco Chronicle last year that,
1359 ``Electricity rates would necessarily skyrocket,'' and they
1360 would pass this cost onto consumers. Well, these issues are
1361 well known. I think less well known or harder to work out
1362 are some of the what I call asymmetries in energy use, and
1363 here is where, without disagreeing with Mr. Greenstein's
1364 proposal, I am a little skeptical that there is this problem.

1365 There is lots of variation across the country from State
1366 to State, even within States on energy use, having to do with
1367 climate variations, you know, the source of energy, high coal
1368 States, cold States, western States that have what the
1369 Department of Energy calls fewer degree cooling and heating
1370 days. And so that means that to make a scheme work, that
1371 means you are going to have to figure out some regional and
1372 even in-State variations, which necessarily adds the
1373 bureaucracy of the matter. Not impossible but it is
1374 something that has to be wrestled with and has to be worked
1375 out.

1376 The other thing I would mention is, very quickly, is
1377 something I left out of my prepared remarks is indirect
1378 energy use, and this is something that we have just started
1379 to publish on at AEI, one paper just in the last few days.
1380 Most of the conversation here and elsewhere on the subject is
1381 talking about, you know, utility rates and you know, the

1382 energy that goes into direct energy, electricity generation
1383 and so forth.

1384 We have been looking at trying to calculate how much
1385 energy is used indirectly. Simple example would be the can
1386 of soup made by Campbell's or some soup company. It is, you
1387 know, a heavy thing, you know, make it, put it in the can,
1388 and then put it on a truck somewhere to get it to markets.
1389 And it turns out that our calculation is about almost half of
1390 energy use in this country is used indirectly.

1391 Pharmaceuticals use a lot of energy in their production and
1392 distribution. The healthcare industry uses a lot of energy,
1393 and we have also now done this by the income scales, and so
1394 the lowest tenth decile of income earners we estimate spend
1395 about 5 percent of their income on energy indirectly.

1396 And so a lot of the schemes talked about here today,
1397 whether it is an energy rebate as Mr. Greenstein says, or
1398 something to the utilities as Mr. Kline says, probably has
1399 trouble reaching to those added costs that consumers will
1400 bear, and so even if we work on, you know, some scheme that
1401 keeps consumers reasonably whole on electricity rates, we are
1402 probably going to see consumers paying more for goods and
1403 services like in a manner that they will, an amount that they
1404 will notice.

1405 Thank you.

1406 [The prepared statement of Mr. Hayward follows:]

1407 ***** INSERT 4 *****

|
1408 Mr. {Markey.} Thank you, Mr. Hayward, very much.

1409 Our next witness is Mr. Mike Carey. He is the President
1410 of the Ohio Coal Association. As the leader of a trade group
1411 with over 40 producing members, he has gained a wealth of
1412 knowledge of the coal industry. And we welcome you here
1413 today, Mr. Carey.

|
1414 ^STATEMENT OF MIKE CAREY

1415 } Mr. {Carey.} Thank you, Mr. Chairman, members of the
1416 committee. I want to thank you for the opportunity to speak
1417 to you today on behalf, on the potential impact of climate
1418 change and how those proposals affect America and the middle
1419 class.

1420 My name is Mike Carey, and I represent the Ohio Coal
1421 Association. We are a trade organization that roughly
1422 represents 40 coal-producing companies and 50 affiliated
1423 industries. In those companies we directly employ close to
1424 3,000 individuals in and outside of the mines. The secondary
1425 jobs associated with those are roughly 33,000. It is because
1426 of these stakeholders and the thousands of Ohioans who rely
1427 on our State's coal industry for their livelihoods and the
1428 millions of Ohioans who enjoy lower-than-average electricity
1429 rates because of coal is why I am here to speak to you today.

1430 In the coming weeks you will be asked to consider a
1431 number of proposals that purport to address the perceived
1432 manmade climate change issue. Many of those proposals offer
1433 extremist approaches that threaten the very consumer
1434 protections set forth by the U.S. Congress. You have a
1435 unique opportunity to learn from history and make your

1436 decisions based upon not negatively affecting your customers.

1437 Fifteen years ago, roughly over 15 years ago the 1990
1438 Clean Air Act was passed. In that time period Ohio alone as
1439 Congressman Shimkus mentioned, lost nearly 120 mines.
1440 Associating with that close to 36,000 individuals lost their
1441 jobs. When you consider the basic facts, the picture is even
1442 clearer. Coal-fired power plants produce anywhere from what
1443 National Mining Association said just a couple days ago, 27
1444 percent of the world's electricity, to the industrialized
1445 world, which is 40 percent. If you look at the United
1446 States, it is over 52 percent, and in Ohio we are close to 90
1447 percent. U.S. Energy Information Industry has also--or
1448 Administration has also estimated that electric rates would
1449 actually, we would need 40 percent more by 2025.

1450 There are three core reasons that climate change
1451 legislation must be considered in the context of consumer
1452 protection. One, the effect of the extremist proposals would
1453 have on our direct coalmining and affiliated jobs. Two, the
1454 effect that a loss of coal production would have on our
1455 regions' employers, particularly those with energy intensive
1456 manufacturing sector. And three, the impact that eliminating
1457 or drastically reducing the use of coal as a resourced
1458 electricity would have on electric rates and on the consumers
1459 who ultimately pay them.

1460 Some climate change legislative proposals would force us
1461 to limit the use of coal, and yet no other source can replace
1462 coal at the same cost. There are some groups, you have
1463 probably seen the commercials, that oppose coal altogether.
1464 These are also many of the groups that oppose the use of
1465 nuclear energy. Natural gas is great. It is domestic.
1466 Unfortunately, it can be almost three times the cost of coal,
1467 and there are distribution issues.

1468 Some continue to encourage the subsidy of alternative
1469 energy sourcing, which we apply, but unfortunately, energy
1470 sources like solar, wind don't have the capability to replace
1471 the existing fleet and also have high initial costs. While
1472 increasing the role of renewable energy is a laudable goal,
1473 it is simply not a comprehensive solution to address our
1474 Nation's rapidly-growing demand for electricity.

1475 First and foremost proposals for cap-and-trade
1476 legislation constitute little more than a coal tax on Ohio's
1477 coal producers. Mandatory carbon emissions will bring deep,
1478 sweeping reductions in coal production and will wreck much
1479 greater economy carnage and reductions in the quality of life
1480 and the standard of living of the thousands of Ohio workers
1481 who rely on the coal industry.

1482 Coal is a major industry in the State of Ohio, and yet
1483 over the last few years we have seen our coal production

1484 remain somewhat static. We cannot afford to lose those high-
1485 paying coal jobs, particularly in these challenging times.

1486 Secondly, coal impacts many industries like I mentioned
1487 earlier with the, with energy, massive energy-consuming
1488 industries. Cap-and-trade legislation would hurt those
1489 Ohioans who work in those industries and not just those who
1490 actually are employed in the coal mines.

1491 But I think finally perhaps the most important it cannot
1492 be overstated that reducing or eliminating coal from our
1493 electricity, what it will have on the ultimate consumer. The
1494 human toll would be substantial. Even the bipartisan
1495 Congressional Budget Office has agreed that almost one, the
1496 lowest one-fifth of the U.S. population would suffer the
1497 worst losing about 3 percent of their take-home income.
1498 Clearly, the most vulnerable population cannot withstand this
1499 hardship.

1500 Today low-cost electricity is a staple of life for all
1501 Americans. Further, coal-fired electricity is by far the
1502 lowest cost option available to consumers. Our message to
1503 you is that coal represents our Nation with tremendous
1504 economic benefits and even greater potential in the future.

1505 Our industry has made significant improvements since the
1506 1970s, but I want to leave you with one final thought.
1507 Access to reliable, affordable energy supplies is the core

1508 tenant of economic growth, and the U.S. Energy Policy must be
1509 feasible to implement economically beneficial and
1510 environmentally sound. That could be achieved without
1511 passage of unreasonable measures that would put my industry
1512 out of business, threaten job providers who need a ready
1513 supply of low-cost electricity to power their operations, and
1514 eliminate the affordable electricity that not just our
1515 region's working families but our region's individuals that
1516 are on fixed incomes have come to count on, especially during
1517 these hard economic times.

1518 I thank you for the opportunity and appreciate any
1519 questions that you may ask.

1520 [The prepared statement of Mr. Carey follows:]

1521 ***** INSERT 5 *****

|
1522 Mr. {Markey.} Thank you, Mr. Carey, very much.

1523 And our final witness is Mr. John Hill. He is the
1524 Director for Economics and Environmental Justice for the
1525 United Methodist Church. He has worked on issues of global
1526 warming and worker justice as the Chair of the Policy
1527 Committee for the National Council of Churches, Eco Justice
1528 Working Group. So we welcome you, sir. Whenever you are
1529 ready, please begin.

|
1530 ^STATEMENT OF JOHN S. HILL

1531 } Mr. {Hill.} Thank you, Chairman Markey, Congressman
1532 Upton, members of the committee. I appreciate the
1533 opportunity to testify before you today.

1534 As the Chairman said, my name is John Hill. I work with
1535 the General Board of Church and Society, which is the Social
1536 Justice Agency of the United Methodist Church. Our church
1537 has around 11 million members across Asia, the United States,
1538 Europe, and Africa.

1539 In addition, I am here representing the National Council
1540 of Churches, an organization that represents roughly 35
1541 member communions, Christian communions over 100,000
1542 congregations and approximately 45 million people here in the
1543 United States.

1544 Let me begin by stating unequivocally that the United
1545 Methodist Church and the National Council of Churches take
1546 seriously our call to be faithful stewards of God's earth and
1547 to love our neighbors, and we believe global climate change
1548 is a real and growing threat to creation with profound and
1549 potentially devastating environmental economic and social
1550 consequences. For over 15 years we have worked to educate
1551 and equip our members and congregations to take action to

1552 reduce our own contribution to climate change and have
1553 petitioned our government to provide strong leadership and
1554 develop domestic and international frameworks to lower
1555 greenhouse gas emissions.

1556 In recent years the faith community has developed a set
1557 of principles on global warming, principles that represent
1558 key tenants of our faith traditions and provide the lens
1559 through which we consider potential policy solutions. Those
1560 four principles are justice, stewardship, sustainability, and
1561 sufficiency.

1562 Justice is our first principle and for a very specific
1563 reason. God calls us to serve those living on the margins of
1564 society and to protect those individuals and communities
1565 living in poverty, whether in the United States or around the
1566 world. Quite frankly, for too long climate change advocates
1567 have minimized the potential impact of climate legislation on
1568 the poor, and opponents have used such impacts as a
1569 justification for inaction.

1570 Neither course brings us closer to a just future, and
1571 neither serves the interests of those we are called to be in
1572 ministry with. I applaud the leadership of this committee
1573 for holding today's hearing where we can explore another way,
1574 a course that provides strong emissions reductions and
1575 protects low-income individuals and vulnerable communities.

1576 We believe a just climate policy must first and foremost
1577 contain effective and mandatory emissions reduction targets
1578 in order to prevent catastrophic impacts for the people and
1579 planet we are called to serve.

1580 While this morning's hearing focuses on the critical
1581 issue of how climate legislation will impact consumers, as
1582 many of you mentioned in your opening statements, let us not
1583 forget the devastating impacts of inaction, rising sea
1584 levels, more intense storms, floods, droughts, and spreading
1585 disease factors affect those living in poverty, communities
1586 of color, and other vulnerable communities first and hardest.
1587 The Gulf Coast hurricanes of 2004, demonstrated all too
1588 painfully the devastating consequences that occur when storms
1589 of nature interact with the manmade storms of poverty and
1590 racism that batter daily communities in the United States and
1591 around the world.

1592 Our churches were on the front lines and continue to
1593 provide aid and assistance to those struggling to rebuild, as
1594 we will be in every disaster that may come.

1595 And as someone who serves a global church, I am keenly
1596 aware of the cost of inaction on my brothers and sisters in
1597 Africa. Rosemary Miega, who is a woman who founded a farming
1598 coop in Uganda told me last year of how her growing seasons
1599 are shifting because of climate change. Now, for most of us,

1600 those of who live in the United States, particularly in
1601 cities, if the rain falls a few weeks late, there is little
1602 impact on our lives. For Rosemary and her community that
1603 shift means crop failure and famine.

1604 Last year the African bishops of the United Methodist
1605 Church issued a call for action on poverty and recognized
1606 that we cannot separate the plight of the poor from the
1607 plight of the planet and must act now to protect both.
1608 Inaction is simply not an option for the community of faith.

1609 But likewise, action must be centered on a vision of
1610 justice for all God's people. In developing policies we must
1611 ensure that the solutions protect the needs of the poor, that
1612 we don't push families deeper into poverty due to higher
1613 energy-related costs.

1614 The good news is is that there are proposals such as
1615 those outlined by the Center on Budget and Policy Priorities
1616 that we believe can efficiently, effectively, and justly
1617 provide benefits to offset these cost increases for low-
1618 income individuals and families.

1619 We support using established and proven methods to
1620 deliver benefits for low-income consumers that provide funds
1621 sufficient to offset all energy-related price increases.
1622 Mechanisms such as those outlined by my colleague from the
1623 Center could provide this benefit, and we believe could

1624 adequately address many of the valid concerns raised by Mr.
1625 Hayward with regards to indirect energy costs.

1626 In contrast, proposals such as those put forward by U.S.
1627 cap that would use local distribution companies or other
1628 utilities to deliver a consumer rebate would ignore over one-
1629 half of the estimates cost to low-income families and require
1630 the establishment of new delivery systems and outreach
1631 programs to encourage participation.

1632 In closing, the faith community supports strong and
1633 quick action to address the dangers of climate, while
1634 ensuring that solutions mitigate rather than compound
1635 economic injustices. We believe financial assistance for
1636 those living in poverty in the United States and
1637 international adaptation assistance for vulnerable
1638 communities abroad must be a part of any climate policy, and
1639 we look forward to working with the committee as you develop
1640 legislation that protects God's good creation and all of
1641 God's children.

1642 Thank you.

1643 [The prepared statement of Mr. Hill follows:]

1644 ***** INSERT 6 *****

|
1645 Mr. {Markey.} Thank you, Mr. Hill, very much, and that
1646 completes our opening panel.

1647 We will now turn to the subcommittee members for
1648 questions, and the Chair will recognize himself.

1649 I am going to go down the line, ask Mr. Kline, Mr.
1650 Popowsky, Mr. Greenstein this question. Is it a good idea to
1651 allocate free allowances to admitters? Mr. Kline.

1652 Mr. {Kline.} I would say only under the circumstances
1653 that I have described. I think absent a delivery mechanism
1654 that brings that value, assures that value goes to consumers,
1655 that the risk that was described earlier and the risks that
1656 occurred in Germany in the initial phases of the European
1657 system, where those dollars went into the earnings of
1658 utilities and others. At the same time prices were going up
1659 to consumers is the challenge, and I think what we are
1660 talking about here would avoid that.

1661 Mr. {Markey.} Okay. Thank you.

1662 Mr. Popowsky.

1663 Mr. {Popowsky.} Yes. The way you phrase that question
1664 the answer is absolutely not. That is you should not
1665 allocate free allowances to emitters, and by that I take it
1666 you mean the generators, the people who, the companies or the
1667 plants that generate the emissions. If you are going to

1668 allocate free allowances to anybody in the utility industry,
1669 it has to be to the folks who are regulated so that we have a
1670 way of recapturing those benefits for customers.

1671 Mr. {Markey.} Mr. Greenstein.

1672 Mr. {Greenstein.} Allowances should not be allocated
1673 free to emitters. As I noted, most economists concur that
1674 that would not reduce consumer prices and would confer
1675 windfall gains on the emitters, and you would lose the
1676 resources you need for everything from consumer relief to
1677 research and to cleaner energy technologies.

1678 Mr. {Markey.} Okay. Now, the Wall Street Journal in a
1679 recent article said that the Congressional Budget Office was
1680 cited for the proposition that a 15 percent reduction in
1681 emissions would lead to increased costs for the poorest of
1682 one-fifth of households. Of course, that is only half of the
1683 story because there could be mechanisms in place in order to
1684 deal with that impact, and that could be included in this
1685 legislation.

1686 Could you deal with that, Mr. Greenstein?

1687 Mr. {Greenstein.} Yes. The Congressional Budget Office
1688 estimate is that if you look at the bottom fifth of
1689 households, which is less than the bottom fifth of people
1690 because if you simply look at households by income without
1691 adjusting for family size, you get a lot of one and two-

1692 person elderly households, that the average impact from a 15
1693 percent reduction in emissions is a \$680-a-year increase in
1694 cost. We adjust for family size, so we are looking at the
1695 bottom fifth of the population, the bottom 60 million people.
1696 You get somewhat larger households, larger households use
1697 more energy, and I figure \$750. They are all in the same
1698 range.

1699 So there is a significant impact on low-income consumers
1700 if nothing is done. But as we have indicated in the
1701 proposals we have developed and as you have heard here this
1702 morning, the foreign auctions, the permits, one can
1703 absolutely offset that cost. The notion that a cap-and-trade
1704 system inherently has to disadvantage low and moderate-income
1705 households is simply incorrect.

1706 Mr. {Markey.} Okay. Thank you.

1707 Mr. {Greenstein.} It depends on how it is designed, and
1708 you can design it so it does not have that effect.

1709 Mr. {Markey.} Thank you, Mr. Greenstein, very much.

1710 Now, let us go to energy efficiency because that
1711 obviously is going to be a centerpiece for what hopefully the
1712 consequences will be of a cap-and-trade system being put into
1713 place, that is, we will learn how to work smarter, not harder
1714 in terms of the consumption of energy in our society.

1715 Mr. Kline, can you give us briefly your view out there

1716 in terms of the experience that you have?

1717 Mr. {Kline.} From our vantage point and our involvement
1718 in the recent work with the McKenzie Global Institute, energy
1719 efficiency is the untold resource that is out there that will
1720 allow us to offset emissions in a cost-effective manner. Or
1721 that will substantially reduce those costs, and that is
1722 because if you look across the Nation, there is an immense
1723 amount of actual negative costs, opportunities that aren't
1724 being seized, and with the proper incentives and regulatory
1725 structures those low-hanging fruit will be captured in the
1726 early years, which will help offset these costs.

1727 In California we are spending \$1 billion this year on
1728 energy efficiency, and we are delivering it at a cost of
1729 about 4 cents for the average customer. If we go out to the
1730 market to buy power from a new power plant, it is at least 9
1731 cents.

1732 Mr. {Markey.} Can you briefly respond to that as well,
1733 Mr. Greenstein, the economic efficiency as compared to other
1734 energy sources?

1735 Mr. {Greenstein.} Yeah. This is an on the one hand, on
1736 the other hand. On the one hand, obviously, we want to
1737 pursue energy efficiency. On the other hand is--or the
1738 caveat is simply that we have to be realistic about how much
1739 it can do, how fast. Unlike things like the earned income

1740 credit or the mechanisms I have discussed, we don't have
1741 energy efficiency programs that, at any level of government,
1742 that serve more than very small percentages of the low-income
1743 population in any given year. The Weatherization Program, a
1744 good program, maybe gets a few hundred thousand households a
1745 year.

1746 So we should recognize both that we need to learn a lot
1747 more about how to do energy efficiency programs on a much
1748 larger scale. It will take many years to ramp them up, and
1749 even if we are at the point in the not too distant future
1750 where we are weatherizing say one million homes a year, far
1751 beyond what we do now, it would still take under that
1752 approach about 40 years just to reach the homes of all the
1753 people that qualify for the Low-Income Energy Assistance
1754 Program, and that only affects the half of increased costs
1755 that are home utility related as distinguished from the other
1756 half of the impact on consumers.

1757 So--

1758 Mr. {Markey.} Mr. Greenstein, yes, my time has run out,
1759 and I thank you, sir.

1760 The Chair recognizes the gentleman from Michigan, Mr.
1761 Upton.

1762 Mr. {Upton.} Thank you, Mr. Chairman. I think
1763 certainly as we listen to this hearing, we know that costs

1764 are going to go up, and not only do we need to protect
1765 consumers but almost as equally important if not more is we
1766 need to protect those jobs as well, because it is no good if
1767 you just provide a subsidy to the individual households as
1768 they struggle to pay those mounting costs, whether they be
1769 direct or indirect, but if they don't have a job at the end
1770 of the day, that doesn't help them either. And that is a
1771 concern certainly that I would think most of us share.

1772 Mr. Greenstein, you talked a little bit about your
1773 rebates, trying to shield moderate and low-income households.
1774 Do you do anything for businesses? And I want to use the
1775 example that was pretty well publicized a couple of weeks
1776 ago, I think the New York Times had a story about the cement
1777 company in California that was going to be, because of the
1778 California Environmental Laws was going to have to increase
1779 their pollution-abating controls that was going to cost \$200
1780 million to make the changes. And in essence they said they
1781 are going to go out of business, and all of their people are
1782 going to be out of work.

1783 Do you do anything for businesses, large or small?

1784 Mr. {Greenstein.} Mr. Upton, our rebate proposal is
1785 designed to address consumers. Let me be very clear. Our
1786 proposal is not to use 100 percent of the revenue from
1787 auctions on consumer rebates. It is to use a portion of it,

1788 covering middle as well as low-income households maybe
1789 somewhere in the vicinity of 50, 55 percent of the permits.
1790 That would leave significant value for other purposes.

1791 I leave to others who have much more expertise in the
1792 business aspect of this than I do as to whether--

1793 Mr. {Upton.} I am just watching the clock, so I got to
1794 stop.

1795 Mr. Kline, what is the percentage of folks, of consumers
1796 in your area in PG&E that are in arrears for not paying their
1797 utility bills? I talked about Michigan, some of our areas,
1798 one in three households. Do you have a percentage that can't
1799 pay it based on--

1800 Mr. {Kline.} The last numbers I saw were about 7 or 8
1801 percent.

1802 Mr. {Upton.} Seven or 8 percent. So you are well under
1803 the national average.

1804 Mr. {Kline.} That number is growing, however, but it is
1805 relatively low, and I attribute that partly to our low-income
1806 programs that build on state and local programs.

1807 Mr. {Upton.} Okay. I am going to pass this chart out.
1808 I think you all, you will have it, and I will pass these down
1809 the row here as well. This is the electric power sector of
1810 coal consumption for '06, and the blue areas are particularly
1811 hard hit. We rely heavily on coal versus some areas, some of

1812 the areas that don't. When you look at some other charts in
1813 terms of per capita emitted of carbon, I know the cold States
1814 and the warm States, the northern States and the southern
1815 States are particularly impacted as well, North Dakota, I can
1816 presume might not in terms of what they have to do with
1817 heating or cooling.

1818 Mr. Hayward, you made a very good presentation. What
1819 happens to these regions? I mean, as we try to struggle in
1820 the midwest it seems as though our area is hit harder than
1821 ever, and I note Mr. Kline, if you have a chance to comment
1822 on this as well, in a May letter to Senator Boxer, Lieberman,
1823 and Warner, the Clean Energy Group of which PG&E is a member
1824 said that any allocation must recognize the value of low and
1825 non-emitting forms of generation and should not reward the
1826 highest emitters.

1827 But we are in the south and the midwest because
1828 temperature for--and because of reliance on coal, you mean to
1829 say that customers in those regions shouldn't receive the
1830 allocations based on historical emissions? I would like if
1831 you both maybe answer that. Mr. Kline, maybe in response to
1832 that letter.

1833 Mr. {Kline.} I think the intent is not to punish coal
1834 by any means. I mean, we recognize--

1835 Mr. {Upton.} Well, that is what it does.

1836 Mr. {Kline.} Sir, it does that only if we apply this in
1837 a kind of mindless manner. I mean, when I talked about
1838 sustainability here, I think what I am talking about is we
1839 recognize a program can't blow up the economy, and it can't
1840 impact areas in an unfair manner. And our view is that by
1841 structuring this correctly, we can send price signals which
1842 have to happen but do it in a manner that isn't going to
1843 abruptly affect--

1844 Mr. {Upton.} All right. I want to get my last question
1845 in.

1846 Mr. Hayward, I know I didn't give you a chance to
1847 answer, so I am going to ask you something else. You talked
1848 in your opening about where we would go if you reduce it by
1849 80 percent by the year 2050, in essence back to 1910. So let
1850 us say we get rid of all coal. There is no more coal,
1851 generation, sorry, Mr. Carey, you are not able to answer
1852 that. So we move to gas. Fifty percent emissions is coal.
1853 How far do we miss the target by 2050 if we eliminate all
1854 coal and move to gas? What do we miss it by?

1855 Mr. {Hayward.} Well off the top of my head I don't know
1856 the exact answer to that, but if you switched all coal to
1857 gas, that gets you about a 50 percent cut in the CO₂
1858 emissions from coal, because gas emits on a BTU basis, per
1859 unit BTU, about half the amount of CO₂ as coal does.

1860 So, you know, coal accounts for what, I think two-fifths
1861 or something of our total greenhouse gas emissions in the
1862 country, so that maybe gets you one-fifth of the way toward,
1863 you know--so in other words, you still have a long way to go.

1864 I have gone through this about, you know, we got--right
1865 now to give one quick example, we burn about 180 billion
1866 gallons a year of gasoline and motor fuels. We have to go
1867 back to, if we are going to, you know, stay within our
1868 allegations, that has got to go back to about 30 billion
1869 gallons by the year 2050, if we are still using petroleum-
1870 based fossil fuels for aviation, trucking, all the rest.

1871 So you have to go a long way on everything else, too,
1872 including natural gas.

1873 Mr. {Upton.} And we still don't make it.

1874 Mr. {Markey.} Okay. The gentleman's time has expired.

1875 The Chair recognizes the gentleman from California, Mr.
1876 McNerney.

1877 Mr. {McNerney.} Thank you, Mr. Chairman.

1878 I can't help but remark how stark the testimony we have
1879 seen here this morning is. Mr. Carey, on the one hand, is
1880 showing us the impact on people's lives, not only the
1881 producers but the consumers. Mr. Hill, on the other hand, is
1882 showing us what will hand if we do nothing. So we are in a
1883 position where we have to be thoughtful. We don't want to

1884 hurt people, but we have to make change.

1885 One of the things that struck me was Mr. Greenstein's
1886 discussion about how to allocate the money to the lowest
1887 income and the middle income. Do you think it would be
1888 reasonable to use the revenue to give a credit, say onto
1889 homeowners, for example, to use to purchase efficiency in
1890 their homes or cars? Would that be a reasonable way to use
1891 the revenue or a portion of the revenue?

1892 Mr. {Greenstein.} This is not something we have looked
1893 into in detail. The difficulty here, you only have so much
1894 revenue, you want to make the best use of it. So what you
1895 would need to take into account is to what degree would you
1896 be using revenue to subsidize people to make purchases they
1897 would have made anyway, and to what degree would you get
1898 increased purchases of more energy efficiency products?

1899 Now, I guess the reason why I am skeptical of that
1900 approach is the cap itself provides somewhat of a subsidy.
1901 In other words, under the cap itself anything that uses
1902 fossil fuel becomes more expensive and vehicles or appliances
1903 that are energy efficiency or use fuels other than fossil
1904 fuel become more competitive. And so the cap itself gives
1905 the consumer a direct subsidy in a sense to move from the old
1906 style kinds of products to the new ones.

1907 Mr. {McNerney.} It is not a subsidy, it is a penalty.

1908 Mr. {Greenstein.} A penalty--it gives--

1909 Mr. {McNerney.} Right.

1910 Mr. {Greenstein.} --them an economic advantage.

1911 Mr. {McNerney.} Incentive.

1912 Mr. {Greenstein.} Economic incentive. So what one
1913 would have to do is to say if you take into account the
1914 economic incentive the cap already gives for the purchases
1915 you want to incentivize and the degree to which you would
1916 have a loss of, if you used revenue for this from the cap,
1917 the degree you would have a loss if you would be subsidizing
1918 people for purchases they would make anyway as a result of
1919 the incentives under--

1920 Mr. {McNerney.} Well, a lot of people aren't going to
1921 be able to make those purchases because you are getting an
1922 incremental increase in your electricity costs or your
1923 heating costs, and the purchase of a new car is a \$30,000
1924 investment or weatherizing your home is \$10,000 anyway. So
1925 we need to get something out there to give people the ability
1926 to make those purchases.

1927 Mr. {Greenstein.} I understand the notion one would
1928 have to an economic analysis to see if the increases in the
1929 purchases and the energy gain you--the efficiency gain you
1930 get from them justifies spending that proportion of the
1931 allowances on them.

1932 Mr. {McNerney.} Thank you. Mr. Kline, a simple
1933 question. Are you advocating free allocation of permits to
1934 LDCs? Is that what I heard in your testimony?

1935 Mr. {Kline.} That is correct, but let me clarify. I am
1936 not talking as Mr. Greenstein wasn't either, about 100
1937 percent of the allowances out there. We are talking about a
1938 percentage that represents the contribution from electricity
1939 and natural gas usage.

1940 Mr. {McNerney.} Okay. Thank you. I am going to yield
1941 back, Mr. Chairman.

1942 Mr. {Markey.} Okay. The gentleman's time has expired.
1943 The Chair recognizes the gentleman from Louisiana, Mr.
1944 Scalise.

1945 Mr. {Scalise.} Thank you, Mr. Chairman.

1946 Mr. Greenstein, when you are talking about the climate
1947 rebates, what level of income are you talking about there
1948 when you talk about the bottom fifth or one-fifth of the, I
1949 guess, population that would be getting these rebates? Do
1950 you have a population range?

1951 Mr. {Greenstein.} Well, the bottom fifth has average
1952 income of a little over \$15,000 a year, and I think for a
1953 family--

1954 Mr. {Scalise.} Is your microphone on? Is your
1955 microphone on?

1956 Mr. {Greenstein.} Sorry.

1957 Mr. {Scalise.} Yeah. There we go.

1958 Mr. {Greenstein.} The bottom fifth has average income
1959 of around \$15,000. The top of the bottom fifth is maybe
1960 \$27,000 for a family of three or four, but, Mr. Scalise, my
1961 proposal is really to incorporate the middle class as well.

1962 Mr. {Scalise.} But, I mean, at some point legislation
1963 would have to--

1964 Mr. {Greenstein.} Yeah. So--

1965 Mr. {Scalise.} --what would that limit?

1966 Mr. {Greenstein.} --one proposal that we provided some
1967 assistance on which is actually in the bill that Chairman
1968 Markey introduced last year, as I recall I think there were,
1969 was a full offset of the average hit for married families up
1970 to about \$70,000 a year if I remember correctly, and then I
1971 think it phased out between \$70 and \$110,000.

1972 Mr. {Scalise.} And so--

1973 Mr. {Greenstein.} And there was some benefit up to
1974 \$110.

1975 Mr. {Scalise.} Right. While I oppose any energy tax
1976 and would also really strongly caution against class warfare
1977 being used to basically build in some sort of cap on any of
1978 these types of, I guess, rebate proposals, and ultimately
1979 because what it will end up doing, and we were talking about

1980 economics earlier, right now the President's budget estimates
1981 that he would generate about \$646 billion out of this energy
1982 tax.

1983 And so for the President's budget to be met, if you are
1984 exempting out one group, you are in essence going to be
1985 shifting an even higher percentage to those remaining, and I
1986 will give you an example.

1987 A school teacher married to a police officer is going to
1988 be making on average \$80,000. So that school teacher married
1989 to the police officer before would have been paying \$1,300 a
1990 year more. If you exempt out that many more people, now that
1991 school teacher married to a police officer might be paying
1992 \$1,600 a year more. So they actually get an increase burden
1993 and you don't accomplish, I guess, what you are trying to
1994 achieve on the bottom end because the people making below
1995 \$70,000 are still going to be paying higher food prices,
1996 higher--well, according to Mr. Orszag's testimony he
1997 basically says that all energy-intensive goods would have
1998 costs added.

1999 And so I will ask Mr. Hayward, because you had talked in
2000 your testimony about, you know, the Campbell's soup example.
2001 Number one, the school teacher married to the police officer
2002 now according to Mr. Greenstein's plan would actually be
2003 paying more because they would have to have a higher

2004 percentage if that lower percentage is completely eliminated,
2005 but then what would those people that are making below \$70
2006 still pay on your estimate on all of these other energy-
2007 intensive products?

2008 Mr. {Hayward.} That is a really hard question to answer
2009 because, you know, it varies from product to product and also
2010 the distance involved. I mean, one thing we have really been
2011 trying to break this down pretty finely, and one thing we
2012 think is that, in fact, the highest effect on consumers of
2013 cap-and-trade is not necessarily the cold coal States, but it
2014 might be the mountain States, partly because of the longest
2015 distances goods are transported, more gasoline consumption,
2016 things of that kind. And that was, you know, a finding that
2017 would not have occurred to us without running it through a
2018 fancy model, and we all have criticisms of our own model
2019 about this. It is one of those arguments we have.

2020 But, I mean, we sort of broke this down by, you know, a
2021 variety of specify goods, and it looks like, you know,
2022 between 1/2 to 1 percent increase in the direct cost of
2023 producing and shipping certain goods, and that is just going
2024 to ripple through the supply chain in some multiplier of--it
2025 is hard to say. I couldn't begin to make a good estimate of
2026 that.

2027 Mr. {Scalise.} And obviously that same price increase

2028 that would be shifted over to that school teacher married to
2029 the police officer would also be shifted over to an even
2030 higher percentage that businesses would be forced to pay now
2031 because you still have that end \$646 billion tax that needs
2032 to be raised, but now it is a smaller group of people that
2033 are paying it, so the business taxes would also go up, which
2034 would lead to even further job losses.

2035 I guess if coal is out of the picture there for Mr.
2036 Carey, I don't know if he can respond to it, but even if coal
2037 is being used, what does that then do to even further losses
2038 of jobs?

2039 Mr. {Carey.} Mr. Chairman, Congressman, the issue is
2040 when you start looking at what I think Congressman Shimkus
2041 said just earlier when, earlier today when he said that you
2042 are actually going to pay power producers to actually shut
2043 down their power-producing facilities. When you shut down
2044 poor-producing facilities, those poor-producing facilities
2045 aren't consuming coal. If they are not consuming coal, we
2046 aren't mining coal, because we are not selling it to those
2047 power-producing facilities. So, therefore, those coalminers
2048 would be put out of business and out of jobs. Also, the
2049 ancillary of associated industries.

2050 But I do want to say this. When you are talking about
2051 the school teacher and the police officer, you talk about a

2052 coalminer who on average in our region can make anywhere
2053 between \$45 and \$75,000 a year, he is not going to be able to
2054 pay that bill because he is not going to have a job to pay
2055 that bill.

2056 Mr. {Scalise.} That is a very important point.

2057 Appreciate your testimony.

2058 I yield back my time.

2059 Mr. {Markey.} The gentleman's time has expired.

2060 The Chair recognizes the gentlelady from California, Ms.
2061 Capps.

2062 Ms. {Capps.} Thank you, Mr. Chairman.

2063 Mr. Greenstein, some critics have argued that the
2064 proposal to place a cap on greenhouse gas emissions to combat
2065 global warming represents a tax increase. However, this
2066 claim ignores the fact that a cap-and-trade program, if it is
2067 designed wisely, should also raise substantial revenue that
2068 could be returned to consumers in order to offset higher
2069 energy costs.

2070 You might wish to speak on that just very briefly. I do
2071 want to ask Mr. Kline a question, too. My question to you
2072 is, what might be the cost, both human, environmental, and
2073 economic of a failure to act?

2074 Mr. {Greenstein.} Well, a failure to act at some point,
2075 is it in 10 years, is it in 50 years, we don't know, but at

2076 some point we could have catastrophic changes in climate in
2077 the world's atmosphere that would have all sorts of
2078 dislocating economic effects that would dwarf the shorter-
2079 term, must smaller effects we are talking about from a cap.

2080 In terms of the tax issue, what you said is precisely
2081 right. If one uses a significant share of the resources
2082 raised by auctioning the permits to rebate the money to
2083 families and particularly if, as I am suggesting, you do it
2084 through the tax code other than for people at the bottom of
2085 the income scale, a lot of people would actually end up
2086 getting a net tax cut.

2087 I don't think I explained clearly what I am talking
2088 about here in terms of what Mr. Scalise said. I am not
2089 proposing a rebate only for the electricity or the home
2090 utility part. In the way we have designed the rebate it is
2091 designed to offset the impact on costs of consumers from
2092 everything; gasoline, other goods and services. Businesses
2093 generally that have higher costs will pass them through to
2094 consumers. One wants to cover this at the consumer level. I
2095 agree that in particular industries like coal there are
2096 larger effects, and again, we have tried to design our
2097 proposal so it does not consume all of nearly all of the
2098 proceeds so that you have proceeds left to decide what to,
2099 how to provide relief, for example, to coalmining regions.

2100 And I agree with Mr. Hayward. There are some variations
2101 that have got to be taken into effect, and I would hope that
2102 some of the additional permits would be used to address some
2103 of the variations that Mr. Hayward talked about.

2104 Ms. {Capps.} Thank you. Thank you very much. I--Mr.
2105 Kline, PG&E has served my Congressional District and many
2106 others for a long time, and I commend the work that your
2107 company has done. I have seen it firsthand, to implement
2108 efficiency measures. In California our energy commission has
2109 concluded that for every dollar invested in energy efficiency
2110 consumers get a \$2, some have said higher, return.

2111 My question. If allowance values were distributed to
2112 PG&E and other local distribution companies, what specific
2113 energy efficiency measures would you implement so that you
2114 could cut costs for consumers and pass that savings onto
2115 consumers?

2116 Mr. {Kline.} Congresswoman, I will give you several
2117 examples of programs that we already have in place that we
2118 would expand, and one of them is referenced in an attachment
2119 to my testimony that captures programs that utilities are
2120 doing across the country.

2121 We have a program called Power Partners, which affects
2122 small businesses and low and moderate-income customers. We
2123 literally go in and we assess their energy usage, we change

2124 out appliances when needed, to replace them with energy
2125 efficient appliances. We do changes to the structure. This
2126 is both for renters and for owners to make their dwellings
2127 more energy efficient, reduce bills, and make them more
2128 comfortable.

2129 Ms. {Capps.} Excellent. I am glad this is in your
2130 statement so that it can be used.

2131 Final question. How can LDC allocations be structured
2132 so that we can best achieve these efficiency measures? And
2133 also, see the immediate consumer benefits. I think there is
2134 a great deal to be gained by allowing consumers to see how
2135 much they are saying.

2136 Mr. {Kline.} I am happy to say that the Edison Electric
2137 Institute, the Trade Association for Electric Utilities, has
2138 created an institute for energy efficiency, and a lot of what
2139 they are doing is focused on the development of and sharing
2140 the best practices across the country. So I think you are
2141 going to find that electric and gas utilities are ready to
2142 implement these programs broadly across the country.

2143 Ms. {Capps.} Thank you very much. Mr. Chairman, I
2144 yield back.

2145 Mr. {Markey.} Great. The gentlelady's time has
2146 expired.

2147 The Chair recognizes the gentleman from Illinois, Mr.

2148 Shimkus.

2149 Mr. {Shimkus.} Thank you, Mr. Chairman.

2150 Mr. Carey, I am sorry I missed your opening statement.

2151 I did read part of it. The Wall Street Journal had an
2152 editorial where you were referenced and actually submitted
2153 for the record 2 days ago that talked about the winners and
2154 the losers. The winners are the coastal States, shocked. I
2155 am shocked. And the losers are the midwestern States. No
2156 surprise.

2157 Talk about the, restate for me and briefly because I do
2158 have a series of questions, the impact of job loss just on
2159 the 1990, amendments to the Clean Air Act. I have reiterated
2160 them here, not just--I have said in one coalmine 1,200 miners
2161 lost their job, multiplied by that--I know the individual who
2162 bargained for the United Mine Workers quoted to me, before
2163 the 90 amendments 14,000 jobs in just southern Illinois.
2164 Then he moved to a tri-State region, and all he had was 4,000
2165 mineworkers left in a three-State region. Can you talk about
2166 job loss?

2167 Mr. {Carey.} Mr. Chairman, Congressman Shimkus, yes.
2168 In my statement we lost close to 120 mines and lost close to
2169 36,000 direct and indirect jobs. Penn State University did a
2170 study that said for every coalmining job there is essentially
2171 12 spin-off jobs. So that would be the number to which I am

2172 referring to in the 1990s. Particularly we were hard hit in
2173 the State of Ohio because of sulfur.

2174 Mr. {Shimkus.} Yeah. And talk about small town rural
2175 Ohio. These mines are in the rural areas. Are--in many of
2176 these mine locations, is there a company that comes to the
2177 amount of jobs that would be employed in a mine?

2178 Mr. {Carey.} Mr. Chairman, Congressman, the answer to
2179 that is no. The coalmining, in coalmining regions of
2180 Appalachia, if you look particularly in Ohio, western
2181 Pennsylvania, and also in southeast or in West Virginia,
2182 Kentucky, and all the way down to your State, Congressman,
2183 many of these small rural communities, the coalmining, the
2184 mines, the associated businesses that supply those mines,
2185 they are in many cases the only game in town. Not just the
2186 coalmining but also the energy producers that are using that
2187 product.

2188 Mr. {Shimkus.} Let me move to, actually since--let me
2189 go to Mr. Popowsky, consumer advocate. How many jobs were
2190 lost in Pennsylvania after the Clean Air Amendments of 1990,
2191 in coalmining alone?

2192 Mr. {Popowsky.} I am sorry. I don't know that figure
2193 but certainly Pennsylvania is a coal State, and I have, you
2194 know, great sympathy--

2195 Mr. {Shimkus.} So if you were advocating for consumers

2196 and job loss, you would probably at least admit the fact that
2197 there were thousands of jobs lost in Pennsylvania through the
2198 Clean Air Amendments of 1990?

2199 Mr. {Popowsky.} I would expect so, and let me just add.
2200 One of the latest legislative developments in Pennsylvania
2201 that I would certainly support is the establishment of a coal
2202 capture and sequestration program in Pennsylvania.

2203 Mr. {Shimkus.} Yeah, and because my time is short I
2204 don't want to hold you up, but the same answer would be for
2205 the steel industry, would it not? I mean, the coal is either
2206 the co-production aspect of steel or it is the energy
2207 related, and Pennsylvania has been hard hit since 1990, in
2208 steel production. Is that correct?

2209 Mr. {Popowsky.} We have certainly lost thousands of
2210 steel jobs in the time I have been in Pennsylvania.

2211 Mr. {Shimkus.} And if energy costs continue to rise, it
2212 makes it more difficult to us to compete internationally in
2213 steel production, wouldn't you agree to that?

2214 Mr. {Popowsky.} Absolutely.

2215 Mr. {Shimkus.} Yeah.

2216 Mr. {Popowsky.} If it is done--

2217 Mr. {Shimkus.} I would agree, too.

2218 Mr. {Popowsky.} --on a national basis, not a global
2219 basis.

2220 Mr. {Shimkus.} Mr. Kline, when the California power
2221 crisis hit, I don't know, 4 or 5 years ago, your company, I
2222 do believe, and this is just going off of memory, had
2223 interruptible power agreements with major utility, not
2224 utilities but really manufacturing facilities. Is that
2225 correct?

2226 Mr. {Kline.} Yes.

2227 Mr. {Shimkus.} And so when, with interruptible power
2228 agreements, they actually made money when they shut down
2229 their operation during the crisis. Isn't that correct?

2230 Mr. {Kline.} I think that more frequently happened
2231 further up the coast in the northwest where there were
2232 aluminum producers who--

2233 Mr. {Shimkus.} That is exactly really what I am talking
2234 about. So they actually made money by stopping manufacturing
2235 aluminum?

2236 Mr. {Kline.} Yes. I--

2237 Mr. {Shimkus.} Through the agreements?

2238 Mr. {Kline.} And or exceptional circumstances.

2239 Mr. {Shimkus.} And I would submit that in the European
2240 experience of cap-and-trade, industries are making money off
2241 this shell game of a cap-and-trade, where they reduce their
2242 amount of manufacturing or close down the ability because
2243 they have credits to sell, and it is money made with no

2244 affect. Very similar to this issue of this interruptible
2245 power of past cases.

2246 And I think that is a very dangerous precedent. I would
2247 also submit now, and I will end with this, Mr. Chairman, my
2248 time is out, is that a cap-and-trade hides attacks. I think
2249 now estimates are four-fold. We want to be clear to the
2250 public of a cost of engaging. We want to have clear
2251 transparency, not a shell game labeled cap-and-trade.

2252 And I yield back.

2253 Mr. {Markey.} Great. The gentleman's time has expired.

2254 The Chair recognizes the gentleman from Utah, Mr.

2255 Matheson.

2256 Mr. {Matheson.} Thank you, Mr. Chairman.

2257 Mr. Greenstein, when you were giving your testimony I
2258 think I heard you say that in terms of avoiding unnecessary
2259 bureaucracies to try to redistribute revenues to consumers
2260 affected, disproportionately affected by this, that you would
2261 suggest it goes to a tax cut. We use the revenues from this
2262 for a tax cut for just certain levels of income across
2263 America?

2264 Mr. {Greenstein.} Basically two components. One would
2265 be a broad, refundable tax credit.

2266 Mr. {Matheson.} Okay.

2267 Mr. {Greenstein.} The tax credit can go up to whatever

2268 income level you set, depending on how many resources you
2269 want to distribute. Mr. Markey's bill of a year ago, as I
2270 said, it went up to \$70,000 a year for married families and
2271 then phased down to \$110,000. That doesn't capture people at
2272 the bottom of the income scale, elderly, disabled people who
2273 aren't in the tax code. What I recommend there is for people
2274 at the bottom we use these electronic benefit systems,
2275 transfer systems, debit card systems states already have,
2276 already use to deliver low-income benefits. You just program
2277 another benefit on. It is the climate rebate.

2278 And finally, as in the recovery legislation that
2279 Congress just passed, and that recovery legislation for
2280 people who aren't in the--for seniors and people with
2281 disabilities, veterans not in the tax code, you just have in
2282 there a direct payment alongside the work pay tax cut. The
2283 people who get Social Security, veterans and the like, I
2284 would do the same thing here. You get them that payment, you
2285 do the debit card at the bottom, you do a broad tax credit
2286 for the low-income working families and the middle class, up
2287 to whatever income level you feel you can afford, and you
2288 have offset the impact on consumers for the substantial
2289 majority of the population.

2290 Mr. {Matheson.} How do you address the problem that we
2291 got 25 States that rely on coal for the majority of their

2292 electricity and 25 who don't, and we are going to have a
2293 regional difference here, and I am concerned about sort of a
2294 wealth transfer in different regions of the country.

2295 Mr. {Greenstein.} Yeah. So there is two possibilities
2296 here. One thing, we are looking at this now. We are still
2297 in the process. One possibility which I think is probably
2298 not going to work out to be a good possibility, but we are
2299 looking into it, is if we could come up with really good
2300 data, we, I don't mean we, if the government could come up
2301 with really good data on the variation by State, you
2302 certainly could adjust the amount that each State puts
2303 through its electronic benefit transfer system on the debit
2304 cards. We would need to talk to IRS as to whether you could
2305 vary the tax credit rebate depending on the, by the State you
2306 live in.

2307 If that turns out not to be feasible, then I think you
2308 supplement the rebate maybe. You make the tax rebate a
2309 little smaller, then you supplement it with some other
2310 mechanism such as, this is another thing we are looking into,
2311 maybe you have some kind of a block grant funding stream to
2312 States to give further protection to consumers where you
2313 target the money on the harder-hit States.

2314 Mr. {Matheson.} Mr. Hayward, in your testimony you
2315 mentioned this issue of the regional price differences. Do

2316 you have comments on this?

2317 Mr. {Hayward.} Well, only that even within States there
2318 is sometimes substantial variation. I mean, my home State is
2319 California, and you know, a person on Monterey will use a lot
2320 less energy than a person in Fresno 200 miles away where it
2321 is a lot hotter and colder in the winter, et cetera. And so,
2322 I mean, if you are really going to be, you know, try to be
2323 fairly strict about keeping equity in mind, then it is not
2324 just the State level. Then you start slicing it down, you
2325 know, and that just starts to get pretty cumbersome and good
2326 luck.

2327 Mr. {Matheson.} Another issue I would like to raise
2328 with the panel is I know a lot of folks have been advocating
2329 rebates or funding into existing programs, i.e.,
2330 weatherization. Those are good programs, but I am concerned
2331 that that does not necessarily reflect how we should target
2332 impacts on consumers in general.

2333 And how do we figure out the right balance on that? I
2334 don't know if anybody--

2335 Mr. {Greenstein.} We have looked at that a great deal.
2336 LIHEAP is a very good program, and we would give some amount,
2337 I mean, this isn't magic. Our recommendation may be 1
2338 percent of the permit value to LIHEAP. LIHEAP can't handle
2339 this on a big scale. This is a little program. It serves

2340 only one in six or one in seven of every low-income household
2341 that is eligible. It is run as a block grant. There are no
2342 national eligibility standards. So I think of LIHEAP as a
2343 supplement to the kind of system I am talking about. No
2344 system is perfect. There will always be gaps. There will be
2345 people with old homes that have higher-than-average increases
2346 in their costs, and hopefully you use LIHEAP to supplement
2347 the rebates I am talking about through the LIHEAP structure
2348 to do that.

2349 So I definitely would include them, but it is the small
2350 piece. It is not something you are going to cover the 60
2351 million lowest-income households or the proposals that cover
2352 the broad middle classes well, you know, over 200 million
2353 people in the country.

2354 Weatherization, you get some of that through LIHEAP and
2355 some through the separate Weatherization Program. I
2356 certainly think that is worth doing again. You have to look
2357 at what is the, you know, can you, for example, actually get
2358 the program to weatherize more than 1 million homes a year.
2359 It is currently much smaller than that. So, you know, you
2360 would want to really see what you can effectively and
2361 efficiently do through those programs, but both LIHEAP and
2362 the Weatherization Program I think should get something.
2363 Probably relatively small percentages of the permits but

2364 something significant.

2365 Mr. {Matheson.} Okay. Thanks. Mr. Chairman, I yield
2366 back.

2367 Mr. {Markey.} The gentleman's time has expired.

2368 The Chair recognizes the gentleman from Texas, Mr.

2369 Burgess.

2370 Mr. {Burgess.} Thank you, Mr. Chairman.

2371 Mr. Hayward, let me just ask you because you have the
2372 discrepancy question laid out in your testimony. Now, in
2373 Texas it seems like we have many more cooling days that are
2374 necessary for low-income households than we do heating days,
2375 and we never seem to come out on the correct end of that
2376 equation, and yet there are more deaths in this country,
2377 heat-related deaths every year than there are cold-related
2378 deaths.

2379 So I, forgive me if I am a little skeptical that the
2380 LIHEAP is in someway going to be the redistributionist's
2381 dream of getting the tax, can we call it a tax? Well, the
2382 money collected under cap-and-trade, tax-and-trade, we can
2383 get that to the people that actually need it.

2384 Mr. {Hayward.} Yeah. I am not quite sure what your
2385 question is.

2386 Mr. {Burgess.} Well, we don't--I will just say in Texas
2387 we never fare well in this light. We talk about LIHEAP in

2388 this committee, and we never come out on the correct end of
2389 that, and yet at the same time if you just look at the public
2390 health hazard from heat-related deaths versus cold-related
2391 deaths, heat-related deaths are far in excess of what happens
2392 to people--we lose more people from heat-related deaths than
2393 we do from cold-related deaths.

2394 Mr. {Hayward.} That may be true in Texas. Well, two
2395 comments. One, I have no expertise on the way this funding
2396 formula works for things like LIHEAP or similar programs, so
2397 I can't comment on that.

2398 Texas--two more comments. Texas, of course, is a
2399 different world when it comes to energy, of your own grid and
2400 own system. It is also its own little world that way.

2401 The final point, and so I have, you know, limited
2402 knowledge on that. The final point is it may be true in
2403 Texas that heat deaths outnumber cold deaths, although the
2404 data I have seen is that heat deaths in Dallas, for example,
2405 I have looked at have been declining for years because people
2406 are generally getting wealthier on average, and there is more
2407 air-conditioning even for low-income people. For the country
2408 as a whole there is actually more cold-weather-related deaths
2409 than heat-related deaths. And as I said, it may be different
2410 in Texas, but Texas is--

2411 Mr. {Burgess.} Well, France had that big spike a few

2412 years ago when they were unprepared for it. Chicago--

2413 Mr. {Hayward.} Right.

2414 Mr. {Burgess.} --has had a couple of big spikes.

2415 Mr. {Hayward.} If you look at World Health Organization
2416 data for Europe and the U.S., Canada, you actually have more
2417 cold-related deaths. This is one of those counter-intuitive
2418 things that most people aren't aware of.

2419 Mr. {Burgess.} Well, nevertheless, we never come out
2420 correctly on the LIHEAP formula in the State of Texas. I
2421 have never been success in advocating for my low-income
2422 residents if they need more help during the cooling part of
2423 the cycle than they do the heating part of the cycle, and we
2424 never seem to be able to get those funds to where they are
2425 actually needed. So I am very skeptical of us being able to
2426 redistribute stuff where it needs to go.

2427 Mr. Greenstein, if I could ask you, I am not sure I
2428 understand how this electronic benefits transfer is actually
2429 going to work, and one of our big fights during SCHIP, the
2430 State Children's Health Insurance Program, a few months ago
2431 or really for the past 18 months, is there are 800,000
2432 children according to CBO, Congressional Budget Office,
2433 estimates that just simply are outside the system who should
2434 be inside the system but are outside the system because they
2435 are hard to find; single-parent homes, they move around a

2436 lot. These are people who are unlikely to have a place in
2437 which to deposit the benefits transfer if, even if you have
2438 that in place.

2439 But yet these are the individuals who are going to be
2440 most hurt by the fact that they have now higher heating and
2441 cooling bills under a cap-and-trade scheme.

2442 So how are we going to capture the people that are
2443 probably in Mr. Hill's, included in your mission statement on
2444 your website, how are we going to capture those folks and
2445 make certain we are not hurting them with this tax?

2446 Mr. {Greenstein.} That is precisely what proposal I am
2447 outlining is designed to do. These electronic benefit
2448 transfer systems already exist. Every State, your State of
2449 Texas has been running them for years.

2450 Mr. {Burgess.} Let me just interrupt, because my time
2451 is going to grow short. The current 47 million estimated
2452 uninsured in this country, 20 percent according to some
2453 estimates have Medicare aid and SCHIP available to them, and
2454 they just simply don't take it. They don't sign up for it.

2455 Mr. {Greenstein.} I understand. What we are suggesting
2456 is every--a lot of these people are on food stamps.
2457 Everybody who is on food stamps, all the elderly and disabled
2458 people who, low income who get the drug subsidy for the
2459 Medicare drug, they are automatically just put on the debit

2460 card system that States already operate. They already--and
2461 then additionally to the degree that there are working poor
2462 people, a lot of the people that aren't signed up for SCHIP
2463 are working poor. They file tax returns, they get the earned
2464 income credit. When you put those two together, you have a
2465 relatively small proportion of the low-income population you
2466 haven't reached. We would have to do outreach and urge them
2467 to sign up.

2468 Mr. {Burgess.} But what about in a State like Texas
2469 where we have a significant number of people who fall between
2470 the cracks because they are in the country without the
2471 benefit of a Social Security number? And they are inherently
2472 hesitant to sign up for these types of programs for fear that
2473 someone will discover they don't have a Social Security
2474 number. How are they going to be made whole in this
2475 equation, or are we even going to try?

2476 Mr. {Greenstein.} That is a very good question. I
2477 think as we envision that Congress would need to determine in
2478 designing this what the rules are for this rebate. Do you
2479 need a Social Security number, what are the requirements?
2480 Whatever the requirements are people who meet them, if they
2481 are not already in one of the programs where you are
2482 automatically put on the debit card, you could go and apply
2483 and enroll.

2484 But you are getting into a question that is sort of
2485 beyond what I have a specific proposal on. It is kind of
2486 what you all decide you want to do with regard to who is
2487 eligible for the consumer compensation and whether they--what
2488 requirements they have to meet with regard to things like
2489 Social Security numbers.

2490 Mr. {Burgess.} But if we don't meet the needs of that
2491 portion of the population, again, Mr. Hill's mission
2492 statement on his website of economic opportunity and security
2493 for all, is not going to be met.

2494 Now, I grant you, we should do something about the
2495 problem we have with immigration in this country, the fact
2496 that don't is a serious problem. We can't fix our healthcare
2497 system until we do, but this, we are opening the door to
2498 significant other problems with this tax that you are talking
2499 about creating, and it will hit this portion of the
2500 population disproportionately.

2501 I yield back, Mr. Chairman.

2502 Mr. {Markey.} The gentleman's time has expired.

2503 The Chair recognizes the gentleman from Washington
2504 State, Mr. Inslee.

2505 Mr. {Inslee.} Thank you. While we have been having
2506 this hearing I got a little blurb on my Blackberry that said
2507 they just got a report in California that climate change will

2508 cost the State of California somewhere between \$2.5 and \$15
2509 billion a year. So there is a cost of, if we do what some
2510 suggest we do here, which is nothing, we are going to have
2511 costs associated that particularly will fall on lower-income
2512 people.

2513 The best evidence that I have seen comparing the costs
2514 of that scenario, which is an inaction scenario, to an action
2515 scenario is the Stern Report out of the England, and it
2516 suggests that we will have five times more cost on low and
2517 high-income people if we do nothing, compared to if we do
2518 something.

2519 Does anybody--so does anybody have any other evidence to
2520 suggest that figure is wrong, that there is a different
2521 analysis? Does anybody have any other better assessment of
2522 this?

2523 Mr. {Kline.} Sir, I would say the one piece of analysis
2524 I have seen that was done in California is on an integrated
2525 basis by Berkley and Stanford, is that the immense affects in
2526 California would occur primarily through water, which would
2527 have a huge impact on, if the State were very hydro-dependent
2528 as I know you are, and an immense cost due to fire and to
2529 storms.

2530 So the costs were substantially greater than any cost
2531 that could be put together for action.

2532 Mr. {Inslee.} Well, the reason I point this out is I
2533 think it is very important for us to address this issue, but
2534 I just want to point out that it is going to be worse, it is
2535 just really clear. It is going to be worse for our
2536 constituents. It is going to cost them more money to do
2537 nothing in this chamber than to do something.

2538 I want to ask Mr. Greenstein about the ideas about sort
2539 of cash cushions for low-income folks. You have suggested
2540 some very intriguing ways to do that. How do we balance that
2541 against the idea that we ought to be making investments in
2542 the efficiency to reduce those low-income folks' energy costs
2543 over time?

2544 I have to say I do have some concern that if we rely
2545 just on a cash cushion as opposed to an efficiency investment
2546 that will lower their--that will clearly give us more bang
2547 for the buck, because clearly these efficiency investments
2548 actually reduce costs, they have a positive net economic
2549 return. So I think it is very clear that if we can help a
2550 person in a low income get a weatherized home, that same
2551 expenditure will save them a lot more money, be a lot bigger
2552 cushion over time compared to just say cash distribution.

2553 How do we oppose those, realizing it is more difficult
2554 to do some efficiency measures?

2555 Mr. {Greenstein.} I don't think it is an either or.

2556 Again, I am not proposing a cap and dividend where all the
2557 money goes out in cash payments. I am proposing a portion of
2558 it. I do think energy efficiency should be one of the uses
2559 of the remaining auction proceeds.

2560 And this all fits together because the way we envision
2561 the rebates working, they are tied to how much energy costs
2562 go up in the economy, which will be reflected in the price of
2563 the permits. The more effective we are on efficiency, the
2564 less the price of the permits will go up, and the smaller the
2565 cash rebates will be to the people that I am talking about.
2566 The two--what you are talking about and what I am talking
2567 about, they really fit together. The one caveat, I mentioned
2568 earlier, is that most energy efficiency programs like
2569 Weatherization now operate on a pretty small scale. We need
2570 to make them bigger.

2571 But it is not like overnight or in 5 or even 10 years
2572 that we can weatherize the home of every low and moderate-
2573 income person in the United States. And even if we
2574 weatherize a million low-income homes a year, it would take
2575 about 37 years to weatherize the homes of everybody eligible
2576 for--

2577 Mr. {Inslee.} So what is the best, if we do want to
2578 make a substantial investment in efficiency for low-income
2579 people, what is the best mechanism to do it? A voucher

2580 program? A some kind of cash or other infusion to
2581 distributors that somehow we mandate is used for efficiency?
2582 What is the best system? That is an open panel question to
2583 the whole panel.

2584 Mr. {Greenstein.} This is something we are still
2585 looking at. I frankly don't think the answer is crystal
2586 clear, and I do want to clarify. I have been very critical,
2587 and I am very critical of giving free allowances to the LDCs
2588 to lower electricity rates. Actually, we are going to get
2589 more incentive for people to use, for example, some of the
2590 rebates I am proposing for efficiency if they feel the
2591 sticker shock of the increase in rates.

2592 But I want to distinguish that and listen carefully to
2593 Mr. Kline, from what he was talking about in terms of energy
2594 efficiency. It may make sense to give allocations to the
2595 LDCs for energy efficiency.

2596 Mr. {Inslee.} Could I just real quickly ask Mr. Kline,
2597 is there a way to do distributions to distributors or
2598 utilities, and in fact, know that they are going to be used
2599 for efficiency?

2600 Mr. {Kline.} Absolutely. You can mandate that those
2601 dollars be used and reporting accordingly. So it is going to
2602 be transparent. You are going to see the numbers on an
2603 annual basis of achievement, and you are going to be able to

2604 judge if it is working.

2605 Mr. {Inslee.} It is a little tough on some planting
2606 issues, but thank you very much.

2607 Mr. {Markey.} Okay. The gentleman's time has expired.
2608 The Chair recognizes the gentleman from Vermont, Mr.
2609 Welch.

2610 Mr. {Welch.} Thank you. I want to--I was impressed
2611 with the testimony of Mr. Carey. I am from New England. We
2612 don't have coal much there, and it is just the luck of the
2613 draw where we live. But the point you make about the jobs,
2614 about the economy are compelling, and it is just a matter of
2615 whose ox is being gored.

2616 On the other hand, there is a lot of sentiment in
2617 Vermont, and maybe it is because it is easier for us that we
2618 don't rely on coal to really focus on this question of global
2619 warming.

2620 And what I am trying to understand is given the
2621 responsibility you have towards those coalminers and your
2622 industry and appreciate the risk of any plan that has a tax
2623 or a cap-and-trade system, is it your view after you assess
2624 all of that that the harm that would be done by taking some
2625 action, however well intentioned, to the people that you
2626 represent is a cure that would be worse than the disease?

2627 Mr. {Carey.} Mr. Chairman, Congressman, you know, first

2628 I want to kind of address your question and kind of answer
2629 what I didn't have an opportunity just to answer just a
2630 second--

2631 Mr. {Welch.} Yeah, and keep in mind we don't have a lot
2632 of time.

2633 Mr. {Carey.} The first thing is is where is the
2634 information coming on the true cost of global warming on any
2635 State and on any given community.

2636 Mr. {Welch.} Okay. So let me stop you here, because
2637 that is what I am trying to understand.

2638 Mr. {Carey.} Right.

2639 Mr. {Welch.} You dispute that?

2640 Mr. {Carey.} Right. I do dispute that, because I think
2641 you have to look at the sources. I think the other question
2642 is is what is the true economic cost and the social cost
2643 behind not having reliable, affordable, and increasingly
2644 clean energy.

2645 Mr. {Welch.} Right. So then there is a big risk is
2646 what you are pointing out.

2647 Mr. {Carey.} There is a huge risk.

2648 Mr. {Welch.} But do you, what is your view on the
2649 environmental threat?

2650 Mr. {Carey.} I think it is key to, that we continue to
2651 research in clinical technology, which is carbon

2652 sequestration. I think that any proposals that we have out
2653 there whether there be some type of safety valve legislation
2654 so there would be a certain level of cost that would be
2655 associated with any type of--and you can't, you have to
2656 separate. You have to--

2657 Mr. {Welch.} I want to understand this because I think
2658 if I am fairly summarizing your view, there is a big cost
2659 that is associated with taking action, whatever plan we
2660 advance, that may be more costly than whatever benefits
2661 occur, and you want more research, and you have some
2662 skepticism about the environmental impact compared to other
2663 impacts.

2664 Mr. {Carey.} Mr. Chairman, Congressman Welch, I think
2665 what I have heard from this panel is how we are going to
2666 protect these low-level consumers. Who is going to protect
2667 them? It is going to be the taxpayer. It is going to be the
2668 individuals that are paying the electricity rates, whether it
2669 is in small business, whether it is in heavy manufacturing,
2670 whether it is just the people that I represent that go in the
2671 mine every day. They are not looking for a handout,
2672 Congressman. They are looking to be able to provide--

2673 Mr. {Welch.} Oh, no. They want to work, and listen,
2674 they do hard work, you know, the folks who go in those mines
2675 and bring that coal out. That is tough work. There is no

2676 question about it. I mean, there is just, and there is
2677 always disruption when you are going to make a transition
2678 from a way of doing business to a new way of doing business.

2679 Do you have any concrete--let us just say for a minute
2680 you were faced with the likelihood of there being action on a
2681 cap-and-trade or a carbon tax. Are there any concrete steps
2682 you would recommend that would mitigate the impact on your
2683 workers and your miners, your companies?

2684 Mr. {Carey.} Mr. Chairman, Congressman, it would be
2685 hard for me to advocate for anything that I disagree with,
2686 but what I would say, Congressman, is any time, there has to
2687 be a level of practicality.

2688 Mr. {Welch.} Right.

2689 Mr. {Carey.} There has to be a level, you know, I am
2690 hearing about, you know, I have heard in testimony today
2691 that, you know, well, we got to look how this helps or how
2692 this would affect--

2693 Mr. {Welch.} Right.

2694 Mr. {Carey.} --the coal communities. Well, that, you
2695 know, it is very easy for us to sit up on this--

2696 Mr. {Welch.} Yeah. Okay. No. I appreciate--

2697 Mr. {Carey.} --table and say that.

2698 Mr. {Welch.} --your comments and only because I only
2699 have limited time I am going to go to Mr. Greenstein.

2700 Mr. Greenstein, you raised a red flag about proposals to
2701 reduce the impact of climate change legislation on consumers'
2702 budgets through policies that would provide permits to
2703 utility companies, and that is one of the proposals that some
2704 folks favor, relying on the utility companies to keep their
2705 bills down. And obviously, that is where consumers pay a big
2706 bill, hits them hard, and why do you think that would be a
2707 problem, basically providing the utility companies
2708 opportunity to lower those bills?

2709 Mr. {Greenstein.} As I mentioned, I think it might be a
2710 good idea for delivering energy efficiency, but in terms of
2711 doing that as a way to offset the impact on consumers'
2712 budgets directly rather than through rebates, and this is for
2713 both low and middle-income families, I think it would be a
2714 large mistake for a variety of reasons.

2715 Let me just mention two. One, we have over, about 3,300
2716 LDCs in the electricity sector alone. How do we know how
2717 many permits to give each LDC? Most of the proposals say,
2718 well, you allocate them based on electricity use. Higher-
2719 income people use more electricity per capita than lower-
2720 income people, so we would overcompensate in areas.

2721 But I think the two biggest problems are that it would
2722 reduce incentives to conserve, and that frankly it wouldn't
2723 effectively protect consumers. The premiere environmental

2724 think tank is resources for the future. RFF in a paper that
2725 came out last summer explained that if you gave free
2726 allowances to the electricity sector, to the LDCs to lower
2727 electricity rates, that in order to hit the emissions cap,
2728 prices for other energy products would have to go up more.
2729 So you would spend a lot of money, but you would have a
2730 partial affect at best on consumers' budgets. So it would be
2731 a very inefficient way of doing it.

2732 Mr. {Welch.} Okay.

2733 Mr. {Greenstein.} I think a better way is you give
2734 people the rebates, you don't artificially depress their
2735 energy bills. The whole point is to have the energy bills go
2736 up in order to create incentives. And then you supplement
2737 that with things like efficiency, where I think the LDCs can
2738 be very important.

2739 Mr. {Welch.} Okay. Another question. The policy
2740 choice, does it matter whether you give emission allowances
2741 free to energy companies and other emitters or auction them?

2742 Mr. {Greenstein.} You need to auction them. Consumer
2743 prices--

2744 Mr. {Welch.} Why?

2745 Mr. {Greenstein.} --economists say that consumer prices
2746 will go up either way, as a result of which the free
2747 giveaways to the emitters effectively gives you, gives them

2748 windfall profits and means there are no resources to help
2749 consumers to fund alternative energy research. If one can--I
2750 am not an expert on this, if one can come up with the
2751 appropriate remedies to mitigate the pain in coal
2752 communities, whatever they may be, you need the resources to
2753 do these things.

2754 Mr. {Welch.} Okay. Thank you.

2755 I yield back.

2756 Mr. {Markey.} Great. The gentleman's time has expired,
2757 and all time for this hearing has expired. I think we have
2758 really been benefited by the testimony from this panel. We
2759 are right at the heart of the matter here in this discussion.
2760 We know we have a big problem. Global warming is real. The
2761 planet is running a fever. There is no emergency room for a
2762 planet, so we have to act in preventative ways in order to
2763 make sure that the problem does not get worse.

2764 So we have to figure out something here that helps to
2765 deal with the impact of the actions we have to take in order
2766 to protect the planet, and your testimony today has helped us
2767 a lot in helping to frame those issues. Thank you.

2768 This hearing is adjourned.

2769 [Whereupon, at 12:30 p.m., the subcommittee was
2770 adjourned.]