

Testimony of James T. Sims, President & CEO
Western Business Roundtable

SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

LEGISLATIVE HEARING ON S. 1733,
“CLEAN ENERGY JOBS AND AMERICAN POWER ACT”

Wednesday, October 28, 2009

Chairman Boxer, Ranking Member Inhofe, Members of the Committee, thank you for the opportunity to present testimony today on behalf of the Western Business Roundtable regarding S. 1733, the “Clean Energy, Jobs and American Power Act.” We appreciate this opportunity to provide you and the Committee with our views on this legislation.

About The Roundtable

The members of the Western Business Roundtable are engaged in a wide variety of research, development and deployment efforts for greenhouse gas (GHG) control technologies. As a broad-based coalition of companies doing business in the Western United States, our members are engaged in a wide array of enterprises, including: manufacturing; retail energy sales; mining; electric power generation and transmission; energy infrastructure development; oil and gas exploration development, transportation and distribution; and energy services.

We work to defend the interests of the West and support policies that encourage economic growth and opportunity, freedom of enterprise and a common-sense, balanced approach to conservation and environmental stewardship.

Comments on S. 1733

All of our members are desirous of greater legal and regulatory certainty with regard to future GHG regulations. All believe that any climate policies should be federal in nature and should promote economic growth, create new jobs, strengthen the nation’s power grid and enhance America’s fuel diversity and energy security. All believe that GHG mitigation strategies must unleash America’s technological innovation and “can do” spirit to be successful.

Moreover, we believe that the key to unleashing technological innovation is through powerful incentives rather than punitive government policies. Our philosophy is perhaps best summed up by former House Speaker Newt Gingrich, who spoke recently in a C-SPAN interview on how best to approach climate solutions. He said:

“The morning you provide incentives for technology development, there will be 50,000 entrepreneurs figuring out how to get the money. The morning you try to do it through regulation, there will be 50,000 entrepreneurs hiring a lawyer to fight you.”

As the Speaker points out, this is a fundamentally different model. It’s also a model that has shown time and time again throughout America’s history to be the correct model when it comes to technology innovation.

Our Common Sense Climate Principles

When examining individual climate bills, such as S. 1733, the Roundtable views these bills through the lens of a set of 10 “Common Sense Principles” that we believe should guide federal legislators in any climate legislation.

Regrettably, the Roundtable does not believe that S. 1733 meets these common sense principles, and we cannot endorse its passage.

Our Common Sense Principles follow:

1. Congress is best suited to determine how a national greenhouse gas emissions reduction program should work. Therefore, any bill should explicitly preempt the Environmental Protection Agency from regulating greenhouse gases under the Clean Air Act.
2. Federal action should aim to reduce greenhouse gas emissions while also allowing for robust economic growth and job creation across all sectors. Legislation that aims to reduce emissions by forcing a further contraction of our economy -- by artificially constricting energy supply and encouraging higher prices -- will choke any economic recovery and will be soundly rejected by the American people. Therefore, cap-and-trade legislation should include some form of "safety valve" to ensure that the American people are not subjected to wild swings in energy prices or runaway cost increases.
3. Federal action should incorporate, as part of any greenhouse gas emissions reduction program, a fully transparent cost-benefit assessment that yields a net positive outcome and achieves wide consensus. Consumers must be made fully aware of the potential economic impacts of proposed policies, prior to any vote in the Congress.
4. Federal action should encourage the rapid research, development, demonstration and deployment, through public-private partnerships, of a broad spectrum of supply-side and demand-side technologies and practices aimed at managing greenhouse gas emissions.

5. Federal action should allow the electric utility sector to continue to supply consumers with adequate supplies of clean, affordable and reliable energy and to recover all costs necessary to achieve any greenhouse gas emission reduction levels sought by public policies.
6. Federal action should involve all sectors of the economy, all sources and sinks and all types of greenhouse gases.
7. Federal action should recognize that climate change is a global phenomenon that requires comprehensive, long-term and coordinated worldwide responses. Unilateral action by the U.S. -- without comparable commitments to reductions by emitting nations like China and India -- will harm our ability to compete in world markets, export U.S. jobs overseas and will result in no measurable change in future climates.
8. Federal action should recognize that the time frame for implementation of any greenhouse gas emission reduction requirements must be tied to technology availability, reliability and economic feasibility in order to avoid unacceptable impacts on consumers and the electricity grids.
9. Federal action should target revenues generated by a climate change program to the rapid development and deployment of technologies to capture and store greenhouse gases, to appropriate assistance programs that help end-use consumers deal with higher energy costs, and to reasonable climate mitigation initiatives.
10. Federal action should allow greater access to public lands (both onshore and offshore) for the development of domestic energy resources -- such as renewables, oil and gas, oil shale, coal and nuclear power -- so that America can continue to seek greater energy independence.

Getting The Legislation Right

While virtually all scientists agree that the Earth has been warming since the end of the “Little Ice Age,” average global temperatures have not increased or have declined for the past 8 or so years. This cooling has proceeded in spite of the fact that manmade GHG emissions have continued to increase. Many climatologists – including those who believe strongly that anthropogenic GHG emissions are the primary driver of global warming – now predict that this global cooling may persist for one to two more decades, if not longer.

This remarkable change in our climate is something that virtually none of the climate models predicted. I think that it also underscores the importance of taking our time and getting climate policies right – particularly with regard to advancing and commercializing the technologies that we, and the rest of the world, will need to abate GHG emissions.

The American people increasingly appear to agree with a more deliberative, thoughtful approach to crafting legislative solutions to climate change.

For example, a new poll by the Pew Research Center for the People & the Press finds a sharp decline over the past year in the percentage of Americans who see solid evidence that global temperatures are rising. According to the survey, conducted between Sept. 30 and Oct. 4 among 1,500 adults reached on cell phones and landlines, fewer respondents also see global warming as a very serious problem; 35% say that today, down from 44% in April 2008.

The survey also points to a decline in the proportion of Americans who say global temperatures are rising as a result of human activity. Just 36% say that currently, down from 47% last year.

Getting Technology Deployed

Furthermore, we believe that Congress must exercise great caution with any climate legislation in order to insure the necessary time and capital availability to facilitate the commercial viability of a range of advanced energy technologies.

Commercial development of many advanced technologies such as coal and natural gas power generation with CCS, utility scale solar power systems, transmission infrastructure upgrades and expansion, as well as other promising emerging technologies, will take a growing economy and capital for the necessary investments. This is particularly true for carbon capture and storage technologies tied to fossil fuel power generation.

The world hopes to achieve an across the board 50% reduction in GHG emissions by 2050, it can not be accomplished without CCS.

Constructive Suggestions For Action Now

Because the Roundtable is not able to support S. 1733, we wish to offer the following constructive and specific recommendations for inclusion in other GHG reduction bills:

- **Coal with CCS Demonstration Projects** – Federal assistance and incentives necessary to construct at least six 500-MW pilot zero-emission coal-fired power plants that can demonstrate a variety of technologies related to CO₂ capture and sequestration technologies at altitude in the West.
- **Compressed Natural Gas and Electric Vehicle Fleet Vehicle Demonstration Projects** – Federal assistance and incentives to support at least 25 demonstration projects across the Western U.S. to enhance the ability of vehicle fleets to use compressed natural gas and/or electricity as fuel.

- **Coal-To-Clean-Fuels Demonstration Projects** – Federal assistance and incentives to construct at least three coal-to-liquids or coal-to-gas facilities that can demonstrate a variety of technologies related to CO2 capture and sequestration technologies at altitude in the West.
- **Emissions Reductions Through Process Efficiency Incentives** – Legislative and tax incentives to encourage greater energy efficiency gains through technology deployment by the utility, power production, manufacturing, natural resource development and transportation sectors.
- **Clean Energy Deployment Incentives** – Legislative, tax and regulatory incentives to spur investment in a broad suite of clean energy generation technologies, including renewables, hydropower, clean coal with CCS, oil and gas and nuclear.
- **“Apollo-Program-Level” Funding for CO2 Capture, Transportation and Sequestration Deployment** – Legislative, tax and regulatory incentives to dramatically speed up development and deployment of GHG capture, transportation and sequestration technologies for use by all industries in the West.
- **Limit Legal Risks Related To CO2 Sequestration** – Legislation and regulatory reforms that ensure that CO2 sequestration project proponents can move forward without fear of endless liability lawsuits.
- **Reduced Foreign Oil Dependence Through CO2 –Driven Enhanced Oil Recovery** – Provisions to encourage the rapid build-out of the infrastructure necessary to allow greater use of CO2 sequestration for enhanced oil recovery.
- **Clean Energy Infrastructure Build Out** – Incentives for new investment in transmission lines supporting all Western generation sources, oil and natural gas pipelines, CO2 pipelines and other infrastructure facilities.
- **Cost-Benefit Assessments** – Provisions that require a rigorous, independent cost-benefit assessment to be conducted before any GHG legislation be approved by the Congress.

This last recommendation is a very important one, in our view, given that the ultimate success of any climate program is broad and lasting acceptance by the general public. We agree with elected officials such as Wyoming’s Democratic Governor, Dave Freudenthal, who has warned that unless consumers are made fully aware of both the costs and the benefits of climate plans – prior to their implementation – we run the risk that those policies will prove highly unpopular and will run into a lot of difficulty in terms of implementation and enforcement.

I would go Governor Freudenthal one step further: I believe that climate plans that try to effectively “hide the ball” from consumers on the fact that they will bring higher costs and

lower standards of living are destined to be repealed because of an avalanche of consumer outrage over those impacts. Of course, the mechanism that consumers will use to force that repeal will be wholesale changes at the ballot box.

From the perspective of our members, such a flip-flopping of major government policy would be a massive setback to the entire climate solutions movement.

Climate Adaptability Issues

There is one bright spot in the climate issue. All across the nation, government and business leaders are thinking much more seriously about how to prepare for a future where temperatures may be different than those we experience today.

One area of concern often cited in the news media is the potential impact that global warming may have on species other than homo sapiens.

On this issue, I think it is important to note the words of Patrick Moore, founder of Greenpeace, when he reminds that: **"Ice and frost are the enemies of life."** What he is saying is that all of the dire and catastrophic predictions of global-warming-caused extinction of hundreds of thousands of species are, to borrow a phrase, a bunch of hot air.

In short, the scientific record shows very clearly that species have adapted to changes in our climate much larger than those predicted by the climate models, and have done so for many hundreds of millions of years.

As noted in a recent book by Drs. Craig and Sherwood Idos, and published by the Science and Public Policy Institute, the IPCC has projected that "globally about 20% to 30% of species (global uncertainty range from 10% to 40%, but varying among regional biota from as low as 1% to as high as 80%) will be at increasingly high risk of extinction" by the year 2100 due to CO₂-induced global warming (Fischlin et al., 2007). However, a substantial body of research indicates that the vast majority of the predicted extinctions will likely not occur.

"This is primarily because in a CO₂-accreting atmosphere most plants prefer warmer temperatures, so that while warming gives them the opportunity to move poleward in latitude and upward in altitude at the cold-limiting boundaries of their ranges, it does not mandate that at the heat-limiting boundaries of their ranges they must move in these directions. Consequently, with the greater over-lapping of plant species ranges that these phenomena portend for concomitant increases in atmospheric temperature and CO₂ concentration, there should be a tendency for regional plant species richness to actually increase throughout the world; and this same type of range overlapping will likely apply to many of the world's animals that rely upon these range-expanding plants for their food and habitat. Therefore, the end result of the several processes is a future in which there will likely be a great CO₂-induced proliferation, as opposed to extinction, of species within numerous geographical areas; and there is much evidence from the peer-reviewed scientific literature to support such an outcome.

Sentencing Species to the “Jail” of the ESA

While S. 1733 does directly address issues related to the functioning of the Endangered Species Act, a number of activist groups are pushing for government policies that make much greater use of the ESA law as a means of “protecting” species from predicted climate change.

The problem is that this law is a broken and outdated law that rarely helps species actually recover to help. This law:

- Discourages innovative environmental conservation;
- Effectively confiscates private property;
- Denies folks their livelihoods;
- Costs our economy many billions of dollars per year with little positive benefit;
- Prevents well-meaning experts at the U.S. Fish & Wildlife Service from doing the real work of helping species flourish; and
- Most important, fails miserably in the central mission that Congress intended to achieve with its passage: recovering species that are in trouble and allowing them to go off the ESA list.

Let me point to just one statistic, taken from U.S. Fish and Wildlife Service data: the ESA has, over its 30-plus-year history, racked up greater than a 99 percent failure rate when it comes to species recovery. In other words, the ESA helps species recover to health less than one percent of the time.

Can any of the Committee Members name any other law with such a breathtakingly consistent record of failure over such a long period of time?

ESA is like a doctor who tells me that my six-year-old daughter has a potentially life-threatening illness, but then prescribes a treatment regime that involves hospitalizing her with no active treatment, no medications, no therapy and no visitors to her bedside. Would it be rational for me to stand by and support this “let Nature take its course and, hopefully, things will work out” approach? Of course not.

On the other hand, the Act does do two things very well:

1. It transfers control of vast swaths of land in the West from private landowners and/or states that control the land to unelected federal bureaucrats and environmental extremist groups.
2. It provides a very, very good living for a relatively small group of trial lawyers and professional environmental extremists who use never-ending lawsuits to warp this well-meaning law to serve their own narrow political agendas.

Will Cap-and-Trade Bills Create Millions of New Jobs?

The public hears virtually every day from a variety of politicians that cap-and-trade plans will create millions of new “green jobs.” But have the Members of the Committee actually examined the studies that make these predictions?

One such impartial analysis of a major “green jobs” study was done recently by a Roundtable member: Kimball Rasmussen, President and CEO of Deseret Power in Utah. I highly recommend reading Kimball’s relatively short analysis. In it, he finds that:

“... the promise of millions of green jobs claimed by proponents of the American Clean Energy Act is not supported” by the Jobs and Economic Development Impact model (JEDI), which itself forms the heart of a joint study by US DOE and the National Renewable Energy Laboratory (NREL), known as the 20 x 30 Study.

Further, the Rasmussen analysis finds the following:

- The 20 x 30 Study’s forecast of 6.2 million new “green jobs” from the construction of wind turbines “does not reflect the number of long-term, full-time jobs created; instead it’s a cumulative count of full-time equivalent workers aggregated for the 24 years in the study period (2007 through 2030).
- “This questionable method of double counting misleads one to think that 6.2 million jobs equates with 6.2 million people that are employed at a time. This is far from the truth. For example, if an individual works for Project ‘A’ in Minnesota in 2007, and then project ‘B’ in North Dakota in 2008, and so forth through 2030, the model counts that single worker 24 times.”
- “If the indirect and induced impacts are excluded, the gross number of direct jobs is only 121,417, or 2.4 percent of the five million jobs promised. This level of green job creation will not be achieved for another decade; yet we have recently lost more than 400,000 jobs each month based on current economic conditions.”
- “When wind jobs are compared head-to-head with coal-fired electric alternatives, the gross job gains in wind are more than offset by net job losses in coal. Every new wind-related job comes at the cost of 1.5 to 2.7 coal-related jobs.”
- The study “fails to show the dampening effect on the economy of significantly higher power costs associated with wind power, as well as carbon tax programs.”

Disproportionate Impact On Low-Income Populations

Rising energy prices especially hurt low-income families because they must devote a much higher share of their personal income to energy. Since a larger percentage of minority families are among low-income households, they are disproportionately burdened by rising energy prices. Cap-and-trade plans like S. 1733 could exacerbate this economic disparity by raising energy prices, and the costs of goods and services that are energy-sensitive.

Energy cost increases are extremely regressive, and increased energy costs impact the already-strained resources of the lowest-income households. Rising energy costs inflict particular harm on many minority families: lower-income families are forced to allocate larger shares of their budget for energy expenditures and a larger percentage of minority families are among the lower-income brackets. This disparity between minorities and others means that rising energy costs have a disproportionately negative effect on the ability of low income, minority families to acquire necessities -- food, childcare, and healthcare. Unless energy costs are kept affordable, or unless steps are taken to ameliorate the impacts of rising energy costs on vulnerable and minority populations, these costs can have the effect of a discriminatory tax based on income and race.

Share of Income Consumed by Increase in Energy Prices Since 2001

Income Category	Less than \$10K	\$10K-\$30K	\$30K-\$50K	More than \$50K	Totals
Increase in Energy Costs Since 2001	\$1,525	\$2,353	\$3,983	\$4,190	\$3,403
Increase as % of 2008 After-tax Income	29.5%	13.5%	12.4%	5.4%	6.5%

Summary

While the Western Business Roundtable cannot support S. 1733 and proposals like it, we do believe that a great deal can be done to move America forward on the path to a cleaner energy economy. We are pleased to provide constructive suggestions in this regard, and we look forward to working with the Chair, Ranking Member and all Members of the Committee in this effort.