

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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TO THE MEMBERS OF THE UNITED STATES SENATE:

The U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, strongly opposes the manager's amendment to S. 3036, the "Lieberman-Warner Climate Security Act of 2008." Much like its predecessor (S. 2191, the "America's Climate Security Act of 2007"), S. 3036 fails to preserve American jobs and the domestic economy, does little to address the international nature of global climate change, and does not sufficiently promote accelerated technology development and deployment.

The bill would create a massive federal bureaucracy by creating more than 300 mandates that must be translated into rules, regulations and reports by the Environmental Protection Agency and other federal agencies, resulting in a multi-stage process for each regulation or mandate that could take years or even decades to implement, result in prolonged litigation, and cost taxpayers hundreds of billions of dollars. The Chamber created a chart summarizing the administrative burden created by S. 3036, available at: <http://www.uschamber.com/issues/index/environment/080603climatechange>.

All legislation imposes a regulatory burden, but this bill in particular is overwhelming, not only to the public that must live under it, but also to the government that must attempt to implement what is a massive regulatory structure.

Unfortunately, the text of the manager's amendment was not released until only days before Senate consideration of the bill. As a result, the Senate will vote on the bill without the benefit of economic analyses by any public or private entity. This legislation has enormous implications for the economy and environmental stewardship; it requires a full airing and robust debate.

Luckily, in the six months since the Environment and Public Works Committee approved S. 2191, the Senate has the benefit of no less than six macroeconomic studies of its projected economic impacts, and those analyses can be used as a rough guide to the impacts of S. 3036. The results of those forecasts vary widely due to differences in assumptions made by the authors—for instance, whether nuclear power and clean coal thrive or falter¹—but the bottom

¹ This point is particularly relevant given the debate over whether nuclear power should be included in S. 3036. One thing that is absolutely clear from the economic studies on S. 2191 is that the only real way costs to consumers can be managed is through the assumption that nuclear power will increase exponentially—150 percent in EPA's analysis, 300 percent in EIA's analysis. Given that (a) there are only 104 nuclear power plants in the United States today, (b) only a handful of permit applications have been filed with the Nuclear Regulatory Commission to date, and (c) the price of materials has risen to nearly cost-prohibitive levels, nuclear energy must be a major part of any climate change legislation. Excluding nuclear power in any way would be foolish.

line in each of these studies is that the Lieberman-Warner climate bill will cost a staggering amount of money. Estimates of GDP loss are as high as a 3.4 percent decrease in GDP. The average annual cost per household to comply with the bill ranges from \$1,000 to \$6,700. The American Council for Capital Formation and Charles River Associates estimate S. 2191 would have resulted in two million to four million lost jobs.

S. 3036 also does little to confront the international nature of global climate change. Domestic greenhouse gas regulation will not affect emissions from developing nations, and without the participation of these nations, the global greenhouse gas level in the atmosphere will continue to rise.² A recent study by Dr. Leon Clarke at Pacific Northwest National Laboratory, entitled “CO₂ Stabilization in a Heterogeneous World,” demonstrates that failure to secure participation from *all* nations—both developed and developing—will make it difficult, if not impossible, to address the greenhouse gas challenge in a cost-effective manner, and will greatly reduce the probability that overall global emissions targets are met. Moreover, failure to address the issue on an international basis will lead to emissions leakage, a situation in which American businesses would be placed at a competitive disadvantage *vis-à-vis* firms in jurisdictions without similar controls.

In this time of economic uncertainty, the Chamber urges Congress to not risk provoking a trade war with countries like China and India, where the U.S. exported almost \$83 billion worth of goods combined in 2007. S. 3036 would create a legitimate risk that other countries will put in place mirror schemes and border measures that could disadvantage American exporters. Moreover, S. 3036 could make the United States vulnerable to a challenge from the World Trade Organization (WTO) or other trading partners. It is unclear whether this measure would pass muster with the WTO.

This past April, the Chamber participated in the climate change section of the G8 Business Summit. The business communities from all participating nations agreed that the only way to effectively address climate change is a global framework through which (1) all nations make efforts to reduce greenhouse gas emissions, (2) each nation retains the flexibility to craft its own approach to curbing its emissions, and (3) continued economic development, access to reliable, affordable and secure energy supplies and clean energy technologies is assured. These goals are achievable, but require flexibility as a fundamental component of international cooperation. S. 3036 creates a commission to determine which nations have comparable emissions laws in place and then requires those nations not meeting our standards to purchase credits from a separate pool. This provision will only hamper America’s energy security and exaggerate the effects of already-costly legislation.

Perhaps most importantly, S. 3036 does not sufficiently promote accelerated technology development and deployment needed to survive under the bill’s declining carbon cap. It is almost universally recognized that, in the short term, a bill like S. 3036 will cause the nation to move away from fossil fuels to generate electricity. What S. 3036 fails to recognize is that, if the U.S. is to truly move away from fossil fuels, these fuels must be replaced with low- or zero-carbon alternatives, or use fossil fuels without generating greenhouse gas emissions. A great deal of such technology is not yet commercially viable, and several of the technologies do not yet exist. Although the bill earmarks a tremendous amount of money for the purpose of

² See, e.g., Clarke, L., “CO₂ Stabilization in a Heterogeneous World,” (July 13, 2007); available at http://www.uschamber.com/issues/index/environment/climate_change.htm.

“preventing economic hardship,” it grossly underprovides money to research and develop the technologies necessary to continue powering the nation as the United States is forced to use fewer fossil fuels.

S. 3036 also fails to address the problem of deployment, specifically permitting low- and zero-carbon energy technologies. Quite simply, it has become as difficult to obtain a permit for any energy infrastructure project, whether it be a coal-fired power plant, nuclear generation facility, transmission line, or wind farm. Many of the groups supporting S. 3036 and calling for hard carbon caps are the same people who will sue to prevent the siting and permitting of a wind farm in their backyards. Because S. 3036 cuts back on fossil energy production, it must streamline the permit process for low- and zero-carbon energy technologies to compensate.

The Chamber is further dismayed that S. 3036 contains several expansions of the Davis-Bacon Act by applying it to construction, alteration, or repairs authorized under this bill. Specifically, section 832 applies the Davis-Bacon Act to programs for generating any of nine categories of renewable energy; section 909 applies the Davis-Bacon Act to programs for low or zero carbon emission technology facilities (including retooling older facilities) and section 1005 expands it to programs for the capture or geological sequester of carbon. Applying the Davis-Bacon Act to these programs in no way furthers the United States’ ability to reduce climate emissions, and will result in diminished competition, shutting out many qualified minority, small and non-union businesses from the entire market. Finally, applying the Davis-Bacon Act to these programs will increase costs to taxpayers, who will pay more to get less. The Davis-Bacon Act has been shown to increase public construction costs by anywhere from five to thirty-eight percent above projected costs for the same project in the private sector.

For the above-cited reasons, the Chamber urges you to oppose the manager’s amendment to S. 3036.

Sincerely

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with the first name "R." and last name "Josten" being the most prominent parts.

R. Bruce Josten