

CAP AND TRADE LEGISLATION'S IMPACT ON ELECTRICITY

On June 26, the House of Representatives passed a Cap and Trade bill designed to reduce greenhouse gases. The vote was 219 – 212.

Under the Waxman-Markey bill, emissions of carbon dioxide would be cut by 20% from their 2005 levels by 2020, and 83% by 2050 (long after most current members of Congress will have left office). The planned reduction is all the more ambitious considering that US greenhouse gas emissions grew by 17% between 1990 and 2007.

Electric power generators are responsible for 34% of greenhouse gases. Cars and Industry are next, emitting 28% and 19%, respectively.

To drive businesses and power generators to use less oil and coal and cut emissions, the Waxman-Markey bill would make emitters acquire pollution permits, which could be traded on the open market.

Under the House bill, utilities would get free permits for as long as ten years. Afterwards, they likely will have to purchase the permits. Still, instituting a Cap and Trade system would start the process of putting a price on emitting carbon dioxide, which hopefully would start driving the technological innovation needed to move away from fossil fuels.

These new costs would eventually be passed onto the consumer. "You have to raise the price to consumers to get them to cut back," says Harvard economics professor Martin Feldstein. Costs estimates vary, from pennies a day to \$3000 per family per year. Some predict electric costs could jump 90%.

The Midwest and Southeast would likely be hardest hit, as coal-fired power plants supply much of the areas' electricity. The bill would cause power rates in these states to rise

more than other regions.

Utilities would also be forced to purchase at least 12% of their electricity from (more expensive) renewable sources such as wind and solar.

Additionally, the Waxman-Markey bill would order the Department of Energy to see that building codes are amended to make new buildings 30% more efficient by 2010 and 50% more efficient by 2016. The bill also offers \$50 billion in loans to develop more fuel efficient automobiles.

The bill faces a tougher challenge in the Senate. But lobbyists expect some form of legislation will eventually be passed.