

REPORT CARD

Climate Reality Check

The KERRY - LIEBERMAN BILL a.k.a. "The American Power Act"

On May 12, 2010, Senators John Kerry and Joseph Lieberman released a draft bill that aims, in part, to reduce the emissions of carbon dioxide and other heat-trapping gases driving the climate change crisis. The Climate Reality Check coalition (CRC) developed a set of seven principles which we believe should guide U.S. climate and energy policy. This report card grades the Kerry-Lieberman (K-L) bill on how well it lives up to these principles. *For more information, see ClimateRealityCheck.org.*

CATEGORY	CRC PRINCIPLE	ASSESSMENT	GRADE	EXPLANATION
Greenhouse Gas Emission Targets	RAPIDLY REDUCE POLLUTION. Set an economy-wide cap on greenhouse emissions that is consistent with the best available science and that can be ratcheted down as necessary.	The bill sets greenhouse gas emissions limitations that are inconsistent with the best available science and fall very short of what is required to effectively mitigate global climate change.	F	<p>The bill establishes a modified cap and trade system whereby large industrial polluters must have permits (allowances) to emit a certain amount of greenhouse gases and/or use offsets to meet their cap (the target). Some of these permits are given away to industry for free, while others are auctioned off to raise revenues.</p> <p>The bill's emissions reductions targets do not come close to what the Nobel-prize winning Intergovernmental Panel on Climate Change has suggested would be necessary to stabilize atmospheric greenhouse gas concentrations at 450 ppm, and they are even further from what would be needed to reduce carbon dioxide concentrations to 350 ppm, the maximum amount that leading scientists, such as NASA's Dr. James Hansen, have said is safe.</p> <p>According to our coalition's analysis of the most recent scientific recommendations, in order to safely stabilize the climate and do so in a fair way, the U.S. and other developed nations must achieve emissions cuts of at least 40% below 1990 levels by 2020 and 95% by 2050. Instead, the K-L bill sets the goal of reducing emissions by at best only 4% by 2020 and only 77% by 2050. (Using the K-L bill baseline of 2005 instead, the CRC requirements would be 48% cuts by 2020 and 96% by 2050 vs. the K-L's targets of 17% by 2020 and 80% by 2050.)</p> <p>REFER TO THE OFFSETS SECTION TO UNDERSTAND THEIR IMPACT ON TARGETS, AS WELL AS TO HOLDING POLLUTERS ACCOUNTABLE AND DOMESTIC ECONOMIC JUSTICE FOR MORE DETAILS ON ALLOWANCES.</p>
Offsets and Other Loopholes	REJECT LOOPHOLES. Reject offsets and other loopholes that prevent pollution reductions from taking place in the U.S.	The bill allows polluters to bypass verifiable domestic fossil fuel emissions reductions for well over a decade, precisely when they are most needed. The quantity of offsets provided is likely to severely erode domestic emissions targets through the life of the bill.	F	<p>The bill relies on carbon offsets to meet emissions reductions targets. With offsets, polluters buy credits based on others' projects rather than lowering their own carbon output. The offsets loophole in the K-L bill is likely to keep the bill's already weak domestic emissions reductions out of reach.</p> <p>Historically, offsets rarely result in real and permanent carbon reductions. For example, the benefits from reforestation vanish when there is a forest fire. Some types of offsets in K-L are likely to actually increase greenhouse gas emissions globally, including:</p> <ul style="list-style-type: none"> • Injection of carbon dioxide into oil wells to enhance oil recovery. • "Storage" of carbon in harvested wood products. • Credits for destroying chlorofluorocarbons (chemicals which damage the ozone layer and contribute to global warming), which could give a huge financial windfall to companies already legally required to destroy their stocks of these chemicals. <p>People living in poverty in the U.S. and around the world will be hurt the most from the effects of climate change and from many of the destructive projects labeled as offsets under the bill.</p>

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Holding Polluters Accountable	REJECT POLLUTER GIVEAWAYS. Big polluters should pay when they pollute, not be handed giveaways.	The bill is a bonanza for polluters. It would shower billions on the dirty energy industries of the past, including coal, nuclear and oil, as well as agribusiness.	D-	<p>The bill does not follow the international principle of having polluters pay for the pollution they create. Instead, it does the opposite: The K-L bill provides:</p> <ul style="list-style-type: none"> • Giveaways in the form of free allocations of pollution permits during a long transition period of more than a decade. A fairer policy would immediately auction off all permits and use the revenues to invest in climate solutions and protect people living in poverty and the middle class. • An additional \$2 billion each year to the coal industry for totally unproven “carbon capture and sequestration” technology. • \$54 billion in pre-emptive bailout funds for the nuclear industry in case it defaults on loans for the construction of new reactors, plus billions more in new tax credits and incentives. • New incentives for the expansion of dangerous offshore oil drilling. <p>REFER TO OFFSETS AND DOMESTIC ECONOMIC JUSTICE SECTIONS FOR MORE EXAMPLES OF GIVEAWAYS TO POLLUTERS.</p>
Responsible Energy Policies	INVEST IN CLEAN ENERGY. Invest in the development and deployment of abundant clean energy and energy efficiency.	The bill encourages a business-as-usual scenario of dirty energy instead of driving our much-needed and wanted transition to clean energy.	C	<p>Under the bill:</p> <ul style="list-style-type: none"> • Allowance allocation to utilities decreases the incentive for electricity conservation by the consumer since electricity costs will be artificially held low. • The percentage of auction revenues for states’ and tribes’ energy efficiency, transportation, and clean energy programs begins at only 2.5 percent and declines to .5 percent, through 2021. • Only two percent of allowances will support low-carbon research and development through 2021. • The Investments for Manufacturing Progress and Clean Technology (IMPACT) Act, which would provide state-level loans to help small and medium-sized manufacturers retool for clean energy production, is missing. • Dirty and carbon-intensive fuels such as nuclear energy and incineration of biomass (e.g. wood and garbage) are considered renewable. <p>REFER TO DOMESTIC ECONOMIC JUSTICE SECTION FOR ANALYSIS OF OTHER RELEVANT ENERGY POLICY ASPECTS.</p>

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EPA and State Regulatory Authority	PRESERVE EXISTING TOOLS. Preserve the Clean Air Act's requirement that harmful global warming pollution be reduced, and preserve states' authority to implement solutions on their own.	The bill eliminates most of the Clean Air Act's powerful, cost-effective, and proven tools which could be used to achieve real, immediate reductions in greenhouse pollution today. The bill also constrains state authority to develop market-based emissions reduction programs.	D	<p>To solve the climate crisis, we need legislation that builds upon our existing environmental laws. Unfortunately, the K-L bill severely limits how and when federal and state officials can respond to worsening climate disruption.</p> <p>The K-L bill strips away nearly all of the EPA's authority under the Clean Air Act (CAA) to achieve real, immediate emissions reductions. It:</p> <ul style="list-style-type: none"> • Eliminates the EPA's existing duty to set a science-based national greenhouse gas pollution cap under the CAA. • Bars the EPA and the states from setting emissions standards for most smokestack sources of carbon pollution, such as oil refineries and factories. • Jettisons existing permit programs for all new smokestack sources of carbon pollution. In place of these proven programs, the bill offers only minimum "performance standards" for new coal-fired power plants—standards that depend entirely on expensive and speculative carbon capture and storage technologies and that will not take effect for many years to come. <p>The bill also eliminates state and regional cap-and-trade programs to reduce carbon pollution, such as those already in place in the Northeast and West, and those under development in California. The bill would direct a very small amount of yearly emissions allowances as compensation to states with preempted cap-and-trade programs, but would place tight restrictions on how states use the funds.</p>
Domestic Economic Justice	PROTECT FAMILIES AND COMMUNITIES. Protect low- and middle-income families and vulnerable communities through stable, predictable, and transparent carbon pricing, consumer protections and dividends.	The bill, while providing significant compensation for the lowest-income consumers, unfortunately puts energy utilities in charge of most consumer protections, doesn't provide enough green jobs investment, and opens the door for pollution trading schemes.	C-	<p>K-L protects the lowest-income consumers from rising energy prices. However, the bill favors polluters over middle-income families, clean energy workers, and our overall economic health. The legislation:</p> <ul style="list-style-type: none"> • Provides full compensation to low-income consumers for increased energy prices through monthly federal benefits. Households with modestly higher incomes will receive small tax credits. • Provides free allowances to utilities to slow the rise in electricity and gas bills until 2035. The lowering of utility bills will not cover a majority of the public's newly incurred costs that are created by K-L since a consumer's utility bill makes up less than half of the cost impacts from a price on carbon—the majority of new consumer costs will be found in an increase in the price of gas and general consumption such as clothes, food, etc. • Allows the 50 states' different utility commissions to oversee how utilities use their free allowance allocation for "the benefit of the ratepayer," creating a loophole for ambiguous interpretation and use of funds. • Distributes the majority of revenues from allowance sales, starting in 2035, as an annual income tax credit to all legal U.S. residents, serving as a buffer from increased energy costs. • Does not limit access to carbon markets, potentially opening the door to the same kind of Wall Street profit-grabbing and manipulation that is behind our current economic crisis. <p>REFER TO RESPONSIBLE ENERGY POLICIES SECTION FOR OTHER ASPECTS BEARING ON GREEN JOB CREATION AND OFFSETS SECTION.</p>

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International Climate Justice	LIVE UP TO OUR INTERNATIONAL OBLIGATIONS. The United States must be a leader in supporting and funding effective and just international climate solutions.	The bill falls well short of addressing the major international policy and funding needs with respect to climate change; it does not live up to practical, diplomatic, national security, or ethical requirements.	D	<p>The bill offers a double whammy to developing nations. In addition to too-low emissions reductions targets, the bill comes nowhere near to meeting the U.S.'s fair share of adaptation, clean technology and forestry financing for low-income, vulnerable developing nations.</p> <p>There is too little money, too late. The bill only offers 15 years worth of assistance. This is a matter of justice. Those who least contributed to climate change are bearing the brunt of its negative consequences. By delaying assisting with their adaptation needs, for example, the U.S. aggravates the suffering of those living in poverty and creates even greater expenses later.</p> <p>There is no assistance to help developing countries address energy poverty through clean technology. There is no money to help governments tackle the urgently needed reforms and capacity building which are essential to durable forest protection and low-carbon land use solutions. Using forests outside the U.S. as offsets does not provide an appropriate mechanism to finance and address these issues.</p> <p>The bill:</p> <ul style="list-style-type: none"> • Establishes as U.S. policy the production of a binding agreement to limit greenhouse gas emissions by all major emitters. • Begins international adaptation assistance in 2019, to last for only 15 years. • The amount of adaptation assistance will be just 0.75% of auction revenues, increasing to 3.0% of revenues in 2034, well below experts' projections of what is needed. • The bill allows support for enforcement of the Lacey Act, which restricts imports of wood products that come from illegally harvested timber, but fails to address other key policies like domestic biofuel mandates that can lead to deforestation inside and outside the U.S. • Directs USAID to establish a program to reduce emissions from deforestation in developing countries. <p>REFER TO OFFSETS SECTION FOR MORE ANALYSIS RELATED TO INTERNATIONAL CLIMATE JUSTICE.</p>

The following groups contributed to this report card:

- 350.org
- Center for Biological Diversity
- Chesapeake Climate Action Network
- Corporate Ethics International
- Earth Day Network
- Friends Committee on National Legislation
- Friends of the Earth
- Global Exchange
- Greenpeace
- International Rivers
- NC WARN (North Carolina Waste Awareness and Reduction Network)
- Public Citizen
- Psychologists for Social Responsibility
- Rainforest Action Network
- Sustainable Energy & Economy Network, Institute for Policy Studies
- Unitarian Universalist Ministry for Earth
- United Methodist Women