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ONE HUNDRED ELEVENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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### Opening Statement of Rep. Henry A. Waxman Chairman, Committee on Energy and Commerce

#### Allowance Allocation Policies in Climate Legislation: Assisting Consumers, Investing in a Clean Energy Future, and Adapting to Climate Change June 9, 2009

Today's hearing examines the allocation of allowances in H.R. 2454, the American Clean Energy and Security Act, as reported out of Committee.

H.R. 2454 requires that major U.S. sources of emissions obtain an allowance for each ton of global warming pollution emitted into the atmosphere.

EPA estimates that in 2005 dollars, these allowances will cost \$11 to \$15 in 2012 and increase to \$22 to \$28 by 2025. EPA's estimates are consistent with estimates by the Congressional Budget Office. At these prices, the total value of the allowances created under the legislation ranges from \$50 to \$70 billion in 2012 to \$90 to \$120 billion in 2025.

The emission allowances provide a critically important tool in transitioning the country to a clean energy future. In deciding how to use the value of the allowances, the Committee was guided by four primary goals.

First, we wanted to assist consumers with the transition and we use over 50% of the allowances for this purpose. The legislation establishes five programs to protect consumers from energy price increases –

- One for electricity price increases;
- One for natural gas price increases;
- One for heating oil price increases;
- One to protect low- and moderate-income families; and
- One to provide tax dividends to consumers.

In combination, these programs ensure that American consumers are protected as the legislation is implemented.

Second, H.R. 2454 invests in developing and deploying energy efficiency programs and clean energy technology. This will be a driver of jobs and innovation. It will help us break the connection between energy generation and carbon emissions, allowing us to meet the increasingly tighter emissions limits at lower costs than are predicted today. This will also help the U.S. be a global leader in clean energy technologies.

Third, we worked hard to assist industry in making the transition to a clean energy economy. We cannot afford to add significant uncompensated costs that would disadvantage manufacturing and production here compared to other countries that do not have emission limitations, like China and India.

Providing transition assistance to our industries helps ensure that the reductions in emissions occur because our industry is becoming more efficient, not because they are moving production — and emissions — overseas.

Finally, H.R. 2454 provides allowances for a number of other important purposes. It would provide assistance to help us adapt to climate change both here and abroad. The international adaptation piece rises to moral obligations and will help the President negotiate a strong treaty in Copenhagen. It will also help address some of the national security issues that Senator John Warner and others have warned us about. The bill would also generate large additional low cost emissions reductions by reducing tropical deforestation, helping to avoid dangerous climate change.

The Committee has worked hard on this allocation plan to ensure that it is fair. It does what a good energy bill needs to do – it balances the interests of different parts of the country, and of different stakeholders, and accomplishes much of what is important to everyone. It will go a long way to moving the country into a clean energy future.