



Owner's Manual

Debate Over Climate Security Act Heats Up

At NWCPUD, we are not only focused on delivering adequate supplies of power when our customers need and want it, we are also concerned about the cost.

For a vibrant economy and quality of life, we must continue to have adequate supplies of energy at affordable prices.

One issue that could potentially result in the highest costs for energy in history will be how we as a nation respond to the global issue of carbon dioxide (CO₂) emissions.

Will we use our ingenuity to respond strategically or will we blindly plow ahead regardless of the costs, wildly spending the people's money without beneficial results?

Below is an excellent article by Stan Lewandowski, general manager of Intermountain Rural Electric Association in Sedalia, Colorado, one of our partners in public power.

– Dwight Langer, General Manager

CO₂ Cap and Trade or Carbon Tax: The Road to Economic and Quality of Life Bankruptcy

Last month, the U.S. Senate rejected further debate on the proposed "Climate Security Act," a cap-and-trade system drafted by Senators Lieberman and Warner. Cap-and-trade systems operate by having an environmental regulator set a limit on emissions (or a cap) that is reduced periodically. Permits for emissions (in this case, CO₂) are distributed or auctioned to covered businesses. If a business produces fewer emissions, it can sell its permits

on the open market. If it exceeds its allotment, it must purchase permits. Proceeds from the auction of permits go to the government, making a cap-and-trade program an indirect tax, the cost of which ultimately must be paid by consumers.

The proposed "Climate Security Act" would cost consumers an estimated \$6.7 trillion through higher energy bills. A tax would generate comparable revenue, but Congress prefers a cap-and-trade program because the word "tax" does not appear in the legislation.

The Wall Street Journal opined on May 27 that the Lieberman-Warner bill would impose the most extensive government reorganization of the American economy since the 1930's.

The bill calls to mind Vaclav Klaus, president of the Czech Republic, who said, "*The largest threat to freedom, democracy, the market economy, and prosperity at the end of the 20th and the beginning of the 21st century is no longer socialism. It is, instead, the ambitious, arrogant, unscrupulous ideology of environmentalism.*"

The cost of the Climate Security Act would be enormous

Various government agencies and private organizations have examined the Lieberman-Warner bill. All have concluded that drastic economic consequences would ensue were it to be enacted.

The U.S. Energy Information Administration concluded that the bill would reduce Colorado household income between \$977 and \$3,167 by 2020, and between \$4,019 and \$7,328 in 2030.

The Congressional Budget Office estimates an increase in energy prices of \$1.21 trillion during the 2009-2018 period.

The National Association of Manufacturers estimates increases in gasoline prices from 60 percent to 144 percent and increases in the price of electricity from 77 percent to 129 percent, a loss of 3 to 4 million jobs, and a loss in disposable income from \$4,022 to \$6,752 by 2030.

Trillions of dollars and millions of jobs are at stake, all for CO₂ reductions that would have a meaningless impact on global carbon emissions if India and China do not participate and minimal impact even if they do. Those nations repeatedly have stated that they do not plan to mandate reductions. China is building coal-fired plants weekly, and India is introducing a \$2,500 automobile that will increase its emissions significantly.

All of this is proposed because some scientists and most of the mainstream media believe that the current moderate warming is man-made, caused by increased CO₂ from burning fossil fuels. Contrary to what you may have read in the press or watched on television, the debate is not over and there is not a so-called consensus on this issue. Indeed, there may well be a debate when the Lieberman-Warner bill is brought up for full discussion in Congress. As for consensus, on May 19, a press conference was held at the National Press Club presenting a petition signed by over 31,000 scientists who reject the idea that global warming is human-caused. It should be noted that among the 31,000 signatories are a significant number of world-renowned climatologists.

We believe that there are unanswered questions that should be fully discussed. The amount of CO₂ in the atmosphere has increased each year, however, the temperature has been stable for the last ten years. In

fact, global temperatures decreased 6/10 of one degree Celsius during 2007.

In the history of the planet, there have been many periods of cooling and warming. Only one of these, the late 20th century moderate warming, is claimed to have been caused by man, even though 20th century warming coincided with a high level of solar activity. Man-made CO₂, that is said to be the cause, amounts to only 28/200 of 1percent of the atmosphere, and water vapor is recognized as the principal greenhouse gas.

Reality—not scientific debate—will resolve the issue

Ultimately, the issue will not be resolved by debating the science. At a Space and Science Research Center conference, NASA solar physicists have postulated that changes in the sun may bring about a long-lasting cold era. It is now mid-June and we have snow falling in the mountains. This follows two unusually cold and snowy winters throughout the planet. Global warming proponents say this is only a “pause” in warming, and they are now hedging their bets by saying that even if their position is based on junk science, we still should take action because it is the proper thing to do.

We believe the issue eventually will be resolved by economic realities and quality of life factors. Piling a crippling cap-and-trade program on top of a failed energy policy will be disastrous. The same individuals and groups that demand self-sufficiency, breaking away from Middle East oil and lower gas prices are the same individuals who oppose building additional refineries, drilling at ANWR and offshore locations, and the development of oil shale. These

are also the individuals who declare a global catastrophe will occur unless something is done to reduce CO₂ emissions and, at the same time, oppose additional nuclear plants which have no CO₂ emissions. A vast reordering of the American economy in the name of solving a speculative problem isn’t as popular as some environmentalists might believe. The Wall Street Journal has reported that some are predicting a shift in the politics of global warming. As this report is being written, there are politicians, individuals and groups recognizing that the U.S. faces a real dilemma with regard to oil production and are reversing their position on objecting to offshore drilling, ANWR and oil shale. Hopefully, the same type of attitude will come forth with regard to coal-fired plants and electricity generation.

The imposition of CO₂ emission reductions without providing alternative generation to meet energy demand would further exacerbate cost increases at a time when we can little afford them. Over 50 percent of U.S. electricity is generated from coal. An additional significant amount of generation uses natural gas. There are 104 nuclear power plants and a significant amount of hydropower. There is a minor amount of wind and solar generation which must be backed up — primarily by gas-fired power plants — because of the variability of wind and sunshine. There is constant research going on attempting to provide energy without CO₂ emissions, however, it may be decades before any of those developments come to fruition.

We should not impose costs designed to force coal plants out of business without a known, available alternative. In our history, there have been challenges that have been met in

a short time, however, in other cases it has been a long-range process. In 1962, a senior administrator with the Rural Electrification Administration announced that within ten years the electric utility industry would be revolutionized and each home would have a fuel cell. It is now 46 years later. We do not yet have significant commercial use of fuel cells, and recently fuel cell advocates have indicated that fuel cells will be a major part of the energy industry sometime this century.

When nuclear plants first came online in the United States and there was a question regarding spent fuel, the American public was told not to worry about it because by the time it became a problem, technology would have answered the need. We have not yet resolved the issue of spent fuel and it may be decades before we do so.

It is difficult to imagine any aspect of our lives that does not involve energy in some way. Manufacturing requires energy; crops are grown and cultivated using energy. Heat, clothes, health care, our homes, appliances, entertainment, sports, transportation, and jobs all require energy.

This is not the time to impose a crippling cap-and-trade regime. We are on the verge of — or actually going through—a recession.

Other issues also will affect electric rates

Technology will be the answer in the future. At some point, fossil fuels will not be used to generate electricity. The issue of CO₂ will be moot. But it is not prudent to discard the energy sources upon which we rely now and cause a blow to our economy from which we may never recover.

This article has been edited to fit the space available.