



LPPC Principles on Climate Change Issues

Consumer Cost Protection

- LPPC supports consumer cost protection mechanisms that (i) provide for certainty as to the maximum level of allowance prices, (ii) set this maximum level based on expected availability of control technology, and (iii) are consistent with emission control objectives of the program.
- Mechanisms that increase flexibility also will be important tools for electricity generators to comply with a climate regulatory program while minimizing cost impacts to consumers. Regulated entities should be allowed to achieve a portion of their reduction targets through the purchase of qualifying domestic and international emissions offsets and to use a multi-year compliance period.
- LPPC also supports development of an allowance allocation framework that protects consumers against high costs. This objective can be best achieved by allocating a substantial amount of allowances at no cost to the electric power sector, rather than distributing those allowances through an auction¹. In the case of not-for-profit public power systems, the benefits of the allowances would be passed through to the communities they serve.

Comparable Incentives for Renewables

- LPPC strongly supports aggressive deployment of renewable energy technology.
- BUT:
 - Public power (and coops) receives no benefit from income tax credits for electricity production from renewables (sections 45 and 48).
 - The Renewable Energy Production Incentive (“REPI”) intended as a substitute for renewables tax credits, has never been adequately funded.
 - The current provisions in the tax code for Clean Renewable Energy Bonds (“CREBs”) are subject to a cap and an allocation formula that makes the program of little value to LPPC members.
- **This lack of incentive programs has acted as a very significant barrier for public power to value investments in renewables as Congress had intended.**
- To provide comparable incentives to public power for renewable electricity, LPPC supports including in any potential cap-and-trade climate change regulatory program provisions for production incentives that would be funded by allocation or auction of a small fraction of the allowances under the cap-and-trade program.
- The incentives would be available to tax-exempt entities that place(d) new renewable generation facilities in service after 2001. These incentives would be designed to be equivalent in value to the tax credits taxable entities would receive for the same facilities (2.0¢ per kilowatt hour, adjusted for inflation from 2007).
- The following types of renewable energy facilities would be eligible: solar; wind; geothermal; biomass; municipal solid waste (including landfill gas and trash combustion); new hydroelectric capacity at existing facilities, including non-impoundment hydroelectric energy generated from in-stream devices; wave, current, tidal, and ocean thermal; small irrigation power without impoundment; and fuel cells.

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¹ LPPC members in the state of New York are required to purchase 100% of their allowances in the Regional Greenhouse Gas Initiative (RGGI) program and as such are not advocating free allowance allocation at the federal level.

- The production incentives shall be provided for 10 years beginning on the later of the date that the facility is placed in service or the date of enactment.
- The production incentives would not be subject to appropriations and would be provided for the life of the cap-and-trade program.
- To avoid “double dipping”, any facilities for which CREBs have been issued are ineligible for any production incentives under the proposal.

Full Portfolio Approach Necessary to Meet the Challenge of Climate Change

- Congress is currently contemplating federal legislation that would require large economy-wide reductions in greenhouse gas emissions over the next forty years. The achievement of such reduction levels would require very substantial reductions of emissions in the electric power sector. All aspects of electricity use, production, and delivery must be engaged to deliver reductions of this scale.
- Energy efficiency and conservation are the first and best choices for limiting greenhouse gas emissions in a cost-effective manner, but these measures alone are not sufficient to deliver the steep reduction levels targeted from the electric power sector.
- Further advances are needed for renewable energy, efficient end-use technologies, coal with CO₂ capture and sequestration (CCS), increased generation and transmission efficiencies, and nuclear generation technologies. These advances must be achieved quickly to assure rapid deployment across the entire power sector.
- Full implementation of each and every element of this portfolio of reduction strategies is essential if the electric power sector is to achieve its targeted reduction levels, while maintaining an affordable and reliable electricity supply that is key to the nation’s economic prosperity.
- The level of performance required from each element of this portfolio is substantial and requires significant investment in research, development, and deployment (RD&D) to commercialize the requisite new technologies.
- Aggressive federal incentives and substantial public and private RD&D spending are needed to stimulate the technology development necessary to achieve the greenhouse gas reductions contemplated. The longer the delay in funding these technology developments, the longer and costlier it will be to meet emissions reduction goals. For maximum benefit, funding and incentives should begin before a climate change regulatory program is in place.
- Federal financial incentives to promote development and deployment of zero- or low-emitting generation technologies and energy efficiency must be made available to all types of electric utilities. Tax-exempt utilities should be able to receive incentives for renewable energy, energy efficiency, nuclear and advanced coal comparable to those available to taxable entities.
- Federal legislation is needed to address potential barriers to widespread deployment of CCS. Most importantly, legislation should establish a workable regulatory framework for geological sequestration of CO₂ and address key liability issues arising from CO₂ transport and sequestration.
- New federal and state policies also are needed to address potential regulatory and technical barriers to broad deployment of certain renewable energy technologies (e.g., ocean and tidal power, geothermal); furthermore, federal and state policies should support timely development of natural gas and LNG infrastructure.