

# Climate Change Legislation Should Not Be Punitive

## COMMENTARY

BY JIM ROGERS

The climate change debate has been dramatized in movies, on Hollywood's red carpets and in documentaries featuring melting ice caps. The collective effect is extraordinary, and very positive. America now stands ready to address one of the toughest challenges our nation has faced since the industrial revolution—decarbonizing our energy supply and economy. Now the hard work begins.

I strongly support federal legislation to create a mandatory and declining national cap on carbon dioxide and other greenhouse gases, with a target to reduce these emissions by 60 to 80 percent by 2050. I also applaud Sens. Joseph Lieberman (I-Conn.), John Warner (R-Va.) and many of their colleagues for their dedication to advancing climate legislation in Congress. We need both substantial and immediate investment in the research, development and deployment of technology—and straightforward regulation to address this major ecological problem.

The Lieberman-Warner climate bill correctly takes an economy-wide approach by capping carbon dioxide and other greenhouse gas emissions. Unfortunately, the approach used to meet that cap requires companies to pay for current carbon dioxide emissions using auctions. This is misguided in two ways:

First, it undermines the primary objectives of a cap-and-trade system, which is to put a declining cap on emissions, set a price for carbon dioxide and provide a transition mechanism for those adversely impacted by the cap. It significantly erodes the ability to provide a smooth transition for consumers who depend on electricity with a large carbon footprint.

Second, it proposes to raise funds for a variety of purposes unrelated to developing technology solutions. Some politicians have even called for using the funds for a middle-class tax reduction. Without new technologies, we have no hope of achieving our carbon reduction targets. We must stay focused on the mission. The funding of technology should be pursued independent of the carbon dioxide regulation under a cap-and-trade system.

Regrettably, I have used the technical term “bastardization” to describe these proposed modifications of the “cap-and-trade” regime that has worked so well for sulfur dioxide. I apologize to those offended by my rhetorical flourish, but I have not heard a credible argument as to why our

approach that dramatically reduced sulfur could not work for carbon. Let's keep it simple and use what we know will work.

We should be clear—an auction of allowances is a carbon tax. Lieberman-Warner gives electric utilities in coal-dependent states no choice but to buy a substantial number of allowances from day one simply to keep their customers' lights on. This would result in unfairly placing the cost of addressing climate change on the backs of consumers in the 25 states that depend on coal for more than 50 percent of their electricity.

Our customers' power rates in the Carolinas, Indiana, Ohio and Kentucky would rise by 13 to 35 percent when the legislation takes effect in 2012, based on a \$30 emission allowance price. Other states across the Great Plains, Midwest and Southeast would see similar increases.

This rate shock may result in consumers demanding to reverse efforts to address climate change, a result our environment cannot afford. Some legislators are even calling for a full auction of allowances. This would punish these consumers even more and increase rates in these regions between 30 and 63 percent.

In addition, these same consumers are going to have to pay billions of dollars when the existing power plant fleets are replaced or retrofitted when new technology becomes available. This results in an unfair “double hit” to consumers in states that depend on coal.

While rhetoric to “punish polluters” may be convenient in some circles, it ignores the fact that businesses and families will be the ones punished as they suffer from rate shock. This rhetoric also fails to acknowledge why coal plants were built in the first place.

Building coal plants was a key part of our energy policy in the 1960s and 1970s. The 1974 Arab oil embargo pushed our country toward energy independence, and discouraged the use of oil in power plants. The federal Fuel Use Act of 1978 prohibited using natural gas for new power plants until its repeal in 1985. Three Mile Island stopped the nuclear industry in its tracks in 1979.

The fact is that electric utilities were encouraged—and in many cases, directed—to build coal plants to meet customer de-

mand. These decisions occurred decades before any widespread concern about carbon dioxide and climate change.

Finding ways to reduce carbon dioxide has been on my agenda since the beginning of the decade. It's time to move, but we must move toward solutions that work and help us bridge from today's technological ideas to tomorrow's commercial solutions. I believe the funding of technology is the indispensable key to moving to a low-carbon economy.

A more fair and transparent way to fund research and development might be a surcharge on every kilowatt-hour of electricity sold in America. A three-tenths of a cent surcharge per kilowatt-hour would raise about \$11 billion annually, and cause minimal rate impact. This compares to about \$1.38 billion budgeted for energy research and development by the U.S. Department of Energy in 2008.

This substantial injection of capital would advance technology across the board—in energy efficiency, renewable energy, nuclear, natural gas, clean coal and carbon sequestration—and benefit every consumer of electricity in the nation. Under this approach, customers with higher electric rates would pay a lower percentage of their bill to support technology development, while coal-dependent customers with lower rates would pay a higher percentage of their bill for these developments.

Addressing climate change should not be a partisan issue splitting Democrats and Republicans. We need to follow the example of the Clean Air Act and other major environmental legislation, which passed with broad bipartisan support. We need to embrace the politics of possibilities, and not the politics of limitations or punishment.

This issue is too important not to get it right. It took us more than 100 years to get here, and it will take decades of hard work to fix the problem.

Let's continue to move the ball forward and go to work.

—Jim Rogers is chairman, president and chief executive officer of Duke Energy Corp.

