

The Energy Daily



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Letters
to the
Editor

To the editor:

In responding to my commentary in these pages, FPL Group Chief Executive Officer Lew Hay begins on common ground by calling for “aggressive, mandatory, economy-wide carbon dioxide reduction targets, and for substantial and immediate investment in research, development and deployment [of technology] to achieve them.”

Unfortunately, he mischaracterizes our plan for reducing carbon dioxide (CO₂) emissions as a “free lunch.” He also ignores the fact that allocating emission allowances minimizes rate shock to customers in Florida—just like it does for regions dependent on coal.

I have a modest proposal for Mr. Hay as we work together to pass fair carbon legislation: put customers first.

If Mr. Hay would join me in looking at this issue from the customers’ perspective, he might agree that allocating a declining number of allowances based on historic emissions minimizes rate shock to ALL customers—his and ours. We must avoid a dramatic increase in power prices for customers during this transition. A consumer backlash would discredit efforts to fight this problem nationwide and perhaps worldwide.

Our plan is based on proven experience: the Clean Air Act Amendments of 1990 allowance allocation system for sulfur dioxide (SO₂) is the template I advocate for climate change legislation. The legislation succeeded because it gradu-

ally achieved tough SO₂ removal targets without crashing the economy and without creating regional winners and losers.

Our proposal for climate change legislation mirrors this approach. It will provide customers of FPL, Duke Energy and other regulated utilities a fair allocation of emission allowances in proportion to their historical emissions, and drive reductions of CO₂ in a manner that does not unfairly punish certain regions of the country and reward others.

Providing allowances to regulated utilities to operate their power plants in the early years of the legislation’s enactment will provide no financial windfalls for shareholders, as some suggest. Instead, the customer will receive the full benefit of those allowances.

Mr. Hay argues that companies such as FPL “recognized the need to reduce CO₂ emissions years ago and began to clean up their act.” This is a surprising assertion considering that in 2007, FPL proposed to build more than 1,900 megawatts of new coal plants in his Florida service territory. Ultimately, it was Florida’s regulators who rejected these requests.

Even without these coal plants, FPL’s existing carbon footprint in Florida is more than 45 million tons a year. This is due in large part to FPL’s use of natural gas, which, though less carbon intensive than coal, still emits significant amounts of CO₂ into the atmosphere. And, the technology to capture and sequester carbon from natural gas plants is many years away.

Posturing aside, the plain fact is that most of the decisions to construct

coal plants in this country—and even FPL’s gas power plants in Florida—were made long before climate change was a recognized national issue.

Forcing the shutdown of coal plants across the country will have another consequence that we cannot lose sight of—a huge rush to natural gas as a fuel to generate electricity. That rush would inevitably cause gas prices to rise, and that will hurt the entire nation, especially Florida customers.

Under Duke Energy’s carbon reduction proposal, no one gets a “free lunch.” We are investing billions of dollars to minimize our carbon footprint by pursuing energy efficiency, renewable energy and an array of more efficient nuclear, coal and gas plants. Customers should not also pay billions from day one of the program for allowances simply to keep customers’ lights on. Paying billions twice isn’t fair.

Vigorous debate is critical for an issue as important and far-reaching as federal climate change legislation. We must never forget that the customer must be central to the debate.

I hope Mr. Hay will move away from legislative approaches that punish customers for construction decisions made decades ago—and will work to protect our customers from all regions of our country from unnecessary price shocks as we transition to a low-carbon world.

*Jim Rogers
Chairman, President and Chief
Executive Officer
Duke Energy Corp.*