

AMERICANS FOR PROSPERITY®

Kerry-Lieberman: American Power Act

Fact Sheet - May 2010

On May 12, 2010, Senators John Kerry (D-Mass.) and Joe Lieberman (I-Conn.) released the American Power Act (K-L), a repackaging of the Waxman-Markey (W-M) energy tax that passed the House on June 26, 2009. The bills have numerous similarities.

The Cap: Both bills place a cap on greenhouse gas emissions. The K-L emission reduction schedule aims to reduce greenhouse gases by 17 percent in 2020 and by over 83 percent in 2050. These levels are essentially the same as those in W-M, which targeted a 20 percent reduction by 2020 and by 83 percent in 2050. Both bills use 2005 as a baseline, but Kerry-Lieberman starts the reductions a bit more slowly.

An important difference between the bills is that K-L divides greenhouse gas emitters into three categories, treating each sector differently.

The Trade: Both bills also attempt to use free-market rhetoric to claim they are using a “market-based approach” by allowing emitters who reduce their emissions below the cap to trade emission allowances to those who have not.

K-L regulates any source that emits more than 25,000 tons of greenhouse gas emissions per year, which targets approximately 7,500 sources. K-L then divides these 7,500 targets into three sectors: power plants, manufacturers and transportation. Electricity producers would be swept under the cap immediately, but would receive free allowances to cover all of their emissions above the cap until 2026. Manufacturers would be covered starting in 2016, but would receive free allowances beginning in 2013 to pay for increased production costs, such as higher electricity costs from covered utilities. Transportation emissions will be covered under the cap, but oil producers and refiners would buy their allowances at a fixed price outside of the auctions.

W-M also used free emission allowances to buy off industry opposition and to whip lawmakers' votes. W-M gifted eighty-five percent of its carbon emission allowances to many of the same industries granted a pass under the complex K-L structure above.

Carbon Offsets: Both W-M and K-L allow covered entities to buy up to two billion tons of carbon offsets per year. Click to read [Carbon Offsets Offshore Jobs and Wealth](#), where key offset concerns are explained: offshore wealth transfers, inefficient resource allocation and verifiability.

The agriculture and forestry sectors are not covered under K-L's cap; however, they are incented to create carbon offsets that can be sold back to covered entities. This is similar to W-M as both bills need a way for emitters who cannot reduce emissions to buy

absolution. The industry-friendly USDA would administer the offsets, assuring they would be 21st century farm subsidies

Other Provisions:

- K-L spends two-thirds of the revenue from emission auctions rebating consumers for increased electricity costs. These refunds will flow through the utilities themselves, in order to offset rate increases. In other words, the utilities will get their emissions allowances for free but the cost of complying with the cap will drive up rates. When the utilities hike costs and customers suffer, the government will give utilities revenue from permits auctioned to other covered sources. It is no wonder electric utilities are supporting the bill; they are going to make out like bandits.
- K-L advocates are sure to claim the bill reduces the deficit because it creates a Deficit Reduction Fund. However, the fund only takes in cash when emissions allowance proceeds are “not otherwise obligated.” In other words, if the politicians do not use all of the auction cash for constituent handouts or subsidies for favored industries, then they will consider deficit reduction. We must never allow new spending programs to be shrouded in deficit reduction rhetoric.
- Preempts EPA’s authority to regulate greenhouse gases under the National Ambient Air Quality Standards (NAAQS). This does not resolve our issues with EPA regulating greenhouse gases under other existing provisions of the Clean Air Act. However, it is sure to anger several environmental groups, such as the Center for Biological Diversity who has already sued to force EPA to regulate GHGs under NAAQS.
- As with other bills purported to deal with global warming, K-L will have almost no impact on temperature. “Reducing U.S. greenhouse gas emissions by 83% will only result in global temperatures being one-fifth of one degree Fahrenheit less than they would otherwise be. That is a scientifically meaningless reduction.”
([Link](#))