



# UJAE *Unions for Jobs And the Environment*

Address: PO Box 56173, Washington, DC 20040-6173 Voice and Fax: 301-585-5828 Email: [ujae@rcn.com](mailto:ujae@rcn.com) Website: [www.ujae.org](http://www.ujae.org)

## Member Unions

Brotherhood of Locomotive Engineers  
International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers  
International Brotherhood of Electrical Workers  
International Brotherhood of Teamsters  
Marine Engineers Beneficial Association  
Sheet Metal Workers International Association  
Transportation • Communications International Union  
International Association Of Plumbers and Pipe Fitters  
United Food and Commercial Workers International Union  
United Mine Workers of America  
United Transportation Union  
Utility Workers Union of America

## President

Bill Cunningham

## Newsletter

August 2009

### Waxman-Markey

The Waxman-Markey bill (HR 2454, Clean Energy and Security Act) passed the House by a vote of 219-212 on June 26 and has been sent to the Senate for consideration. Senator Boxer, Chairman of the Senate Environment and Public Works Committee intends to have a bill ready for the floor by November. But differences will have to be resolved among at least three Senate committees, not the least being the Finance Committee.

Beginning in 2012, the House bill would establish a nationwide limit, or cap, on the emissions of carbon dioxide (CO<sub>2</sub>) and other greenhouse gases (GHG) from large industrial establishments including electric utilities, oil refiners and manufacturing facilities. Emissions in 2020 from such plants must, on average, be reduced by 17% below the amount emitted in 2005. By 2050, emissions must be reduced by 83% below 2005 levels.

Establishments must purchase a permit, called an emissions allowance, for each ton of greenhouse gas emitted. Because the number of allowances will be reduced each year, competition for the purchase of allowances will cause the price to rise. Firms can avoid the cost of allowances by reducing emissions through energy conservation and better efficiency or by reducing emissions with "offsets." Offsets include activities such as reducing methane gas emissions from solid waste landfills, and sequestering GHGs on agricultural lands, rangelands, and forests. The bill also provides for the annual purchase of up to 1.5 billion tons of offsets from international markets.

Because of the competition to purchase a limited number of allowances, the price of an allowance is expected to rise over time. EPA expects allowances to cost around \$13 per ton in 2012 rising to about \$25 in 2025. The price depends on conservation, efficiency, use of offsets and the rate at which new lower carbon technologies are put in place.

The auction of a portion of the bill's allowances would raise a substantial amount of federal revenue, \$60 billion in 2012 rising to \$113 billion in 2025. Until 2025, allowances will be granted to electric utilities and other energy producers with the direction to keep prices down or to give customers rebates; to assist industries, including steel, that are vulnerable to imports; to support low carbon energy and efficiency; and for worker assistance and training and maintaining forests.

To help prevent an unexpected increase in energy prices (cost containment), the bill provides mechanisms such as a strategic allowance reserve to increase the number of allowances available for sale if the price exceeds 160% of its three-year average.

An important feature of the bill is the inclusion of measures to enable the continued use of coal, which currently fuels half of the nation's electricity supply. Stringent measures require reduced emissions from coal plants, but the bill also includes funds to demonstrate carbon capture and storage (CCS) and incentives to enable generators to build CCS facilities.

Coal plants approved between 2015 and 2020 must retrofit CCS by 2025. All coal plants built after 2009 would have to capture 50 percent of their CO2 emissions by 2025. Coal plants built after 2020 would have to capture 65 percent of CO2.

To make the investment in CCS possible, early adopters will be rewarded. For every ton of CO2 it sequesters, an electric utility that gets at least half its power from coal will receive bonus emission allowances for 10 years. For the first 10 years of the program, \$1 billion would go toward CCS early demonstration projects, funded by a fee on consumers of fossil-based electricity. Overall, the bill provides \$150 billion for bonus allowances to facilities that use CCS technologies.

The bill also includes a "Renewable Energy Standard" which will require retail electric suppliers to meet an increasing requirement of their load with electricity generated by renewable resources and electricity conservation. The requirement rises to 20% in 2020.

### **Where do Unions Stand on Climate Legislation?**

The first climate legislation to receive widespread labor support (endorsed by the AFL-CIO) was the 2007 Bingaman-Specter "Low Carbon Economy Act." This was the first bill to offer consumers effective protection against unexpected energy price increases, and it would protect workers against imports from countries that gain a cost advantage by not adopting measures to limit or reduce carbon emissions. In addition, Bingaman-Specter would have helped keep energy costs low by supporting conservation, energy efficiency, and new energy technologies.

Waxman-Markey has drawn considerable support from labor unions. A number of unions and the Building Trades Department of the AFL-CIO have endorsed the bill. But no consensus in labor has yet been reached. Unions in support feel that the protection for consumers and workers is sufficient, and they are encouraged by the support given to new technologies and the jobs they will create. Worker training is also provided for in the bill. Demands on coal-based electricity are stringent, but labor supporters believe that they are more than balanced by measures to stimulate new energy production and new jobs in the economy, including jobs in carbon capture and storage for electric power generated from coal.

The Mine Workers and the IBEW are among the unions that have not endorsed Waxman-Markey. They have pointed out measures they believe would improve the bill and gain broader labor support. First, they believe the 2020 target of 17% reduction will not give enough time for carbon capture and storage to become widely available in the electric power industry. They would like to see that target lowered, and the initial 2012 start date extended to a more reasonable date.

Cost containment is included in Waxman-Markey, but the IBEW and Mine Workers recommend making it stronger, and suggest tying maximum allowance prices to U.S. EPA's forecasts for the bill. On the other hand, a number of unions see the Waxman-Markey cost containment measures as a good start in the right direction.

Waxman-Markey includes a general protection against imports from developing countries that do not limit greenhouse gas emissions, a provision that enters into force in 2020. UJAE unions recommend having this provision take effect earlier, one year after the bill goes into effect. The provision requires importers to purchase allowances corresponding to the emissions generated by their production.

Other recommendations for improvement involve the timing of the availability of bonus allowances for CCS, the number of CCS bonus allowances made available, and more attention to liability issues regarding CCS. There also are concerns about the bill's allocation of free allowances to nuclear, hydro and other non-emitting sources. This allocation disproportionately impacts coal-dependent states and rewards states like California with relatively low emissions.

### **Carbon Capture and Storage (CCS)**

Technology exists to capture carbon dioxide emissions from coal-fired plants and to store it in underground geologic formations. The technology is not yet commercially available, however, and widespread deployment of CCS systems will require substantial effort and funding. Recognizing this, the Waxman-Markey bill provides a financing mechanism to set the stage for deployment of CCS technology at a scale that would significantly reduce coal plant emissions.

Tony Blair, Britain's former prime minister, expressed his view of the importance of CCS explaining that, "The vast majority of new power stations in China and India will be coal-fired; not 'may be coal-fired'; will be. *So developing carbon capture and storage technology is not optional, it is literally of the essence.*" Further, Blair pointed out that, "... if the US meets the boldest targets for reductions while China continues on its present path, and India follows, the climate will still suffer irreversible damage."

In testimony before the Senate Budget Committee, Energy Secretary Steven Chu stated, "I think it is very possible that we can begin to develop these technologies aggressively so that we can trap a large fraction of the carbon emitted by these coal plants. *It's a necessity given the fact that the world has incredible coal reserves.*"

CCS has a large job-creation potential, therefore funding for demonstration projects, like that provided by Waxman-Markey, would have a strong stimulus effect on the economy. According to a February 2009 BBC Research and Consulting study, \$10 billion in funding for early commercial deployment of CCS technology would lead to development and operation of six plants, creating about 225,000 total job-years of employment. The BBC study projects that between 5 and 7 million man-years of direct and indirect employment could be generated by the large-scale commercial deployment of 65 to 100 gigawatts of CCS technology.

The Waxman-Markey Bill provides that 4.6% of total allowances can be used for CCS projects to provide an incentive to invest in this technology. Bonus allowances are needed because in the early years of cap-and-trade, allowance prices will be too low to make CCS-equipped power plants competitive with conventional coal plants. A rising allowance price will cause electricity generators to begin switching to scarce and high cost natural gas. The bonus allowances will spur CCS investment and take pressure off natural gas supplies.

### **Regulatory Framework for CCS**

Recognizing the need for a regulatory framework for CCS that addresses liability issues, the Interstate Oil and Gas Compact Commission (IOGCC) proposed rules designed to remove

obstacles to CCS development. These proposed regulations would govern the injection, storage, and distribution of CO2 pipelines within or through a given state. Such regulations would allow for eminent domain and require a certificate of closure at the end of injection operations.

Other articles and studies, including an MIT study, also see the need to address regulatory issues. The International Energy Agency (IEA) believes a near term program should spur demonstration projects and recognize regulatory issues that need to be addressed including ownership and liability at storage sites.

The Waxman-Markey bill includes a provision to study the liability issues of carbon capture and storage, but does not provide the framework itself. The UMWA supports revisions to the bill to help define and resolve long-term liability issues for CCS projects.

### **Commerce Secretary Locke on Climate and Fair Trade**

The Commerce Department recently pointed out that Secretary Locke “has been very clear on emphasizing the importance of fair trade as a part of the United States’ relationship with China. He believes U.S. companies should not be disadvantaged by Chinese imports not bound by responsible policies to reduce carbon emissions. China and the US must work together to ensure a level playing field and reduce our carbon footprints. The Secretary’s trip to China demonstrated his commitment to fair trade and his belief that both the United States and China can benefit from shared investments and cooperation in clean energy that will lead to commercial and environmental benefits for both countries.”

- - - For more information visit the UJAE website at [www.ujae.org](http://www.ujae.org) - - -