

Checking the Pulse of Federal Policies

2008 National Renewable Energy
Marketing Conference

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The Business Council for
Sustainable Energy



Observations

- Businesses are engaged in unprecedented way, but more needed at the table
- Complex process to develop and pass federal climate change legislation
- Legislative action preferred, but much speculation on EPA's role



Observations

- Regardless of new President, very active period on federal climate change policy
 - Timing of enactment may be delayed
 - Energy bills may move first
- Economy and job impact will be the filter that Congress assesses policies and incentives
 - The voluntary market has a strong story to tell



Outline

- Climate Change and Renewables
- Key Issues for Renewable Energy Markets
- Overview of Key Federal Proposals
 - Lieberman-Warner Climate Security Act
 - Dingell Discussion Draft
- Expected Action



Renewable Energy Markets and Climate Change Policy

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Orientation on Climate Change Policy

- Urge integration of energy and environmental policy decisions
- Urge holistic view of development of climate change policy
 - Design elements are inter-related
 - Need to send short-term and longer-term deployment signals
- *Benchmark*: Is policy strong deployment vehicle for renewable energy generation



Policies to support renewables in climate legislation

Financially recognize renewable energy emission reduction contributions:

- If free allocation, distribute via output-based method
- Alternatively, create set-aside pool for renewables
- Use a portion of auction revenue to fund a long-term production incentive
- Use state allocation and auction revenues to incentivize small REs and other distributed generation
- Consider special provisions for solar deployment



Policies to support renewables in climate legislation (cont'd)

Integrate energy and environmental policy by including:

- A renewable electricity standard
- Incentives for transmission expansion and upgrades via auction revenue and complementary policies (will be necessary for any carbon-constrained generation portfolio)
- Incentives for manufacturers to enter the supply chain for renewable industries
- Support for training workers for green jobs



*Lieberman-Warner Climate
Security Act (L-W) – S. 3036*

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Key L-W Renewable Energy Provisions

- 4 Percent Allowance Allocation Pool to Renewable Energy (Title 8, Subtitle D)
 - Owners, operators and developers of facilities including DG and transmissions systems in US
 - Start up, expansions and operation of facilities
 - Distribution mechanism needs consideration
 - Key precedent for allowances to renewable energy



Key L-W Renewable Energy Provisions

- Low Carbon Electricity and Advanced Research (Title 9, Subtitle A)
 - Funded by auction proceeds
 - Allocated to “zero or low carbon emitting-energy technologies”
 - Low or zero low carbon power generation production incentive
 - Domestic manufacturing incentive
 - Auction proceeds used to assist manufacturers producing renewable energy components and systems and power generation.
 - Up to 30% of the costs covered



Select Renewable Energy Amendments

- Senator Carper (D-DE) – Output-based allocation for fossil generators; New Entrant Set Aside that includes Renewables, Nuclear
- Senator Sanders (I-VT) – Renewable Electricity Standard
- Senator Menendez (D-NJ) – 2 percent allocation to states for Renewables and Energy Efficiency
- National Solar Roofs Program
- *No votes, few filed*



U.S. Senate Debate & Action

- Lieberman-Warner
 - Vote on Motion to Proceed to L-W passed on June 2 (74 to 14)
 - Many amendments proposed, no votes
 - Taken off floor, not vote on bill
 - Many expressed concern over bill
- New Congress:
 - More Committees to act
 - EPW, Finance, Energy, Transportation, Agriculture
 - Gang of 16/20 role?



Dingell Discussion Draft

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US House Action – Dingell Draft

- Dingell Discussion Draft Released, 10/7/08
 - <http://energycommerce.house.gov>
 - Economy-wide, covers 88% of US GHG emissions
 - Less robust short term target, long term targets similar to other bills
 - 6% below 2005 levels by 2020
 - Long-term targets
 - 44% reduction by 2030 and 80% reduction by 2050
 - State pre-emption
 - Strategic reserve
 - \$20 to \$30 a ton in 2012
 - 2012-2016, 5% of the total allowance pool; 2017, 10% limit
 - Carbon market oversight by FERC



Dingell Discussion Draft – Allowance Value

- Allowance Allocation – 4 options
 - RE generators get allocations under all options, starts at 3 percent, reduces over time
 - 1 allowance for every 2 MWhrs for the first 10 years of operation
 - Automatic and no new bureaucracy
- Auction Proceeds
 - Low Carbon Technology Fund
 - Smart Grid, Clean Vehicles Technology Program, Clean Fuels Program
 - No incentives for renewable energy production, transmission



Upcoming House Action

- Next Congress
 - Hearings on Dingell proposal
 - Ways and Means, other Committee action
 - Floor action?



Presidential Campaign Views

- McCain and Obama support economy-wide cap-and-trade proposals
 - McCain targets less stringent than Obama
 - McCain supports unlimited domestic and international offsets in early phases
 - Obama supports 100% auctions
 - Both support complementary policies for clean energy deployment
 - McCain greater emphasis on clean coal, CCS and nuclear



Conclusions

- Allowance allocation decisions are key to voluntary renewable energy credit markets
- Distribution mechanisms for allowances and allowance value are important
- Good foundations in Dingell Discussion Draft and L-W Climate Security Act
- Quantify the economic and job impact of renewable energy markets & showcase customers & communities



About the BCSE

- Broad-based coalition of energy efficiency, natural gas and renewable energy industries
- The Council's coalition includes power developers, equipment manufacturers, independent generators, green power marketers, retailers, large energy users, and gas and electric utilities as well as several of the primary trade associations in these sectors



Our Value – Composition and Focus

- Broad-based industry coalition
 - Enhanced credibility
 - Larger political base
- Focus on strategic issues and emerging markets for clean energy industries
 - Climate change and clean air policy
 - State/regional, federal and international levels
- Expertise on designing market-based programs that recognize and reward clean energy and energy efficiency

BCSE serves as a *resource* and *platform* for clean technology industries

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Clean Tech Role in Carbon Markets

- Offers existing technology to cost-effectively reduce greenhouse gas emissions – with co-benefits
 - Create jobs and expand economic growth
 - Enhance energy reliability and security
 - Improve local air quality

*Renewable Energy Is Key
Climate Change Solution*

