



Union of Concerned Scientists
Citizens and Scientists for Environmental Solutions

Testimony on Senate Bill 515 / House Bill 2711 February 7, 2008

**Steve Clemmer, Research Director
Union of Concerned Scientists**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to submit written testimony on behalf of the Union of Concerned Scientists (UCS). UCS is the leading science-based nonprofit working for a healthy environment and a safer world. With over 75,000 members, UCS combines independent scientific research and citizen action to develop innovative, practical solutions and secure responsible changes in government policy, corporate practices, and consumer choices. I am the Research Director of the UCS Clean Energy Program and manager of our Midwest renewable energy project. Prior to joining UCS, I was the Energy Policy Coordinator for the Wisconsin energy office from 1991-1997. I received my M.S. in Energy Analysis and Policy from the University of Wisconsin-Madison.

I am testifying in opposition to Senate Bill 515/House Bill 2711. The scientific consensus that global warming is already here as well as recent actions by Wall Street, the private sector, and various levels of government are creating momentum for regulating global warming emissions at the federal level in the next few years. This will put a price on carbon dioxide emissions, which will significantly increase the cost of producing electricity from new coal plants and make cleaner alternatives such as energy efficiency, wind power, and other renewable energy sources more cost-effective. It is in the best interest of the state of Kansas to reject these bills.

The Intergovernmental Panel on Climate Change (IPCC, www.ipcc.ch) released its most recent findings in 2007, representing the consensus of over 2500 scientific experts from more than 130 countries. The report concluded that it is “unequivocal” that Earth’s climate is warming, “as now evident from observations of increases in global average air and ocean temperature, widespread melting of snow and ice, and rising global mean sea level.” The report also finds that it is “very likely” (a likelihood of over 90%) that emissions of heat-trapping gases from human activities have caused “most of the observed increase in globally averaged temperatures since the mid-20th century.” But even if in spite of all of this evidence if one were to agree with one of the few remaining skeptics on the science of global warming, one can no longer doubt that a national and global consensus has emerged that action must be taken now to reduce the likelihood and potential consequences of worst-case global warming scenarios.

Just this past Monday, February 4, 2007, three of Wall Street's biggest investment banks – Citigroup Inc., J.P. Morgan Chase & Co. and Morgan Stanley – concluded that the U.S. government will enact so-called “cap and trade” legislation to reduce global warming emissions from power plants and other sources sometime in the next few years. As a result, the three banks committed to a set of Carbon Principles that included factoring in future U.S. regulations when evaluating new power plants that are seeking funding as well as evaluating energy efficiency and renewable energy options as alternatives. This move builds on other recent actions by Wall Street. For example, in July of 2007, Citigroup announced¹ that they were downgrading all coal stocks across the board for reasons including the expectation that political pressure to address global warming would intensify and that carbon constraints were almost certain.

The United States has agreed in principle to work with more than 180 other nations under the United Nations Framework Convention on Climate Change to bring about the stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic [human-caused] interference with the climate system. Though the federal government has done little to live up to that agreement thus far, there is now growing momentum to pursue deep reductions in emissions of carbon dioxide (CO₂) and other heat-trapping gases that cause global warming.

Already in the U.S. we have seen the advancement of policies at the local, state, and regional level to mitigate and reduce greenhouse gas emissions in light of the threat posed by global warming. To date, 780 mayors have signed on to the U.S. Mayors Climate Protection Agreement launched by Seattle Mayor Greg Nickels in 2005. The mayors are working to meet the targets of the Kyoto Protocol in their own communities and to push for bipartisan legislation from the U.S. Congress to reduce greenhouse gas emissions nationally. At the state level, California, Florida, Hawaii, Minnesota, New Jersey, Oregon, and Washington have all enacted laws or established policies setting global warming pollution reduction targets.

In April 2003, New York Governor George Pataki sent letters to the 11 governors from Maine to Maryland, inviting their states' participation in discussions to develop a regional cap-and-trade program covering carbon dioxide emissions from power plants. The Regional Greenhouse Gas Initiative (RGGI, www.rggi.org), as it is now known, has become a cooperative effort of 10 Northeast and Mid-Atlantic states establishing a cap to stabilize power plant CO₂ emissions in 2009 and then cut them by 10 percent by 2019. The RGGI model rule was adopted in August 2006 to implement the agreement. All of the RGGI states that have released draft regulations so far have committed to nearly 100 percent auctioning of allowances. Auctioning encourages polluters to actively reduce their emissions by requiring them to pay for allowances rather than being able to obtain them for free.

¹ News story available online at: <http://www.streetinsider.com/Downgrades/Citigroup+Downgrades+Coal+Stocks+-+BTU,+ACI+and+FCL/2687454.html> and a copy of the report is available online at: http://switchboard.nrdc.org/blogs/ngreene/media/Citibank_071807.pdf

In February 2007, following in the footsteps of RGGI, the Governors of Arizona, California, New Mexico, Oregon, and Washington, came together in a collaboration now called the Western Climate Initiative (WCI, www.westernclimateinitiative.org) to develop regional strategies to address global warming. They established a goal of reducing greenhouse emissions in the West to 15 percent below 2005 levels by 2020. Since its inception, the regional pact has grown to include Utah, Montana, and Canadian provinces of British Columbia and Manitoba.

In November 2007, the Governors of 10 Midwest states, including Governor Sebelius, and the Premier of Manitoba signed an historic agreement² to reduce global warming emissions at the Midwestern Governors Association (MGA) Energy Summit in Milwaukee. In the so-called “Midwestern Greenhouse Gas Reduction Accord” the Governors agreed to establish greenhouse gas reduction targets and time frames consistent with the MGA member states, many of which already have strong targets in place. The Accord will also develop a market-based and multi-sector cap-and-trade mechanism to help achieve those reduction targets. As a part of the Summit, the Midwestern Governors, including Kansas, also adopted an Energy Security and Climate Stewardship Platform that includes strong goals to increase renewable electricity use to 30 percent by 2030 and to reduce electricity and natural gas use by two percent per year by 2015 through energy efficiency.

The momentum and progress is no different at the international level. This year at the UN climate summit and negotiations in Bali, Indonesia, even developing nations began stepping up their commitments to addressing global warming and delegates from all over the world called on the U.S. to play a stronger leadership role.

Over the years, most of the power industry has been strongly opposed to federal CO₂ limits from power plants, but that attitude has been changing rapidly. As highlighted in our September 2007 report, *Gambling with Coal*³ (see attached), many prominent power companies now openly support the federal regulation of CO₂ from coal plants. The chief executive of Duke Energy, one of the nation’s largest coal-burning utilities, has said of global climate change, “From a personal perspective I can think of no more pressing global issue.” He went on to say:

*“From a business perspective, the need for mandatory federal policy in the United States to manage greenhouse gases is both urgent and real. In my view, voluntary actions will not get us where we need to be. Until business leaders know what the rules will be—which actions will be penalized and which will be rewarded—we will be unable to take the significant actions the issue requires.”*⁴

² <http://www.midwesterngovernors.org/govenergynov.htm>

³ Available online at: http://www.ucsusa.org/clean_energy/fossil_fuels/jump.jsp?itemID=30513972

⁴ Paul Anderson, “Being (and Staying in Business): Sustainability from a Corporate Leadership Perspective,” speech to CERES Annual Conference, April 6, 2006. Online at http://www.duke-energy.com/news/mediainfo/viewpoint/PAnderson_CERES.pdf.

Duke's website states, "Congress needs to establish a national, economy-wide greenhouse gas mandatory program as soon as possible."⁵

The head of Exelon has stated, "We accept that the science on global warming is overwhelming. There should be mandatory carbon constraints."⁶ And the head of PNM Resources said at Senate hearings, "We believe now is the time for a healthy debate at the federal level on climate change, and we support the move to a mandatory program."⁷

To date, five of the nation's 10 largest private power producers (Calpine, Duke, Entergy, Exelon, and Florida Power & Light), accounting for more than 15 percent of U.S. electricity generation, now support mandatory limits on CO₂ from power plants. Another (Progress) acknowledged in a 2006 special report to shareholders that the evidence for climate change is sufficient to warrant "action" by the "public sector," which the company believes should cover all sectors of the economy.⁸ Executives from three of the remaining companies in the top 10 (American Electric Power, Southern Company, and Xcel), accounting for another 12 percent of U.S. power generation, have acknowledged that federal limits on CO₂ are coming, even if they do not support them.⁹

The industry leaders quoted above echo the rising call for CO₂ limits by companies in other industries, including some of the nation's largest corporations and largest energy consumers. Wal-Mart calls climate change "an urgent threat not only to our business but also to our customers, communities, and the life support systems that sustain our world." Both Wal-Mart and GE expressed support for CO₂ limits in April 2006 Senate hearings, and Ford Motor Company and Hewlett-Packard joined 22 other multinational corporations in a 2005 statement urging leaders of the G8 nations to adopt cap-and-trade or other market-based mechanisms to limit global warming emissions.

⁵ "Climate Change: Duke Energy Position on U.S. Climate Change Policy." Online at http://www.duke-energy.com/environment/policies/climate_change.

⁶ John W. Rowe, August 16, 2004, quoted in *Business Week*. Online at http://www.businessweek.com/print/magazine/content/04_33/b3896001_mz001.htm?gl.

⁷ Jeff Sterba, April 4, 2006, quoted in the *Albuquerque Tribune*. Online at http://www.abqtrib.com/albq/nw_national_government/article/0,2564,ALBQ_19861_4594645,00.html.

⁸ Progress's vague statement on the need for action on global warming has been interpreted by the trade press as a call for carbon regulation. See "Progress Energy calls for U.S. carbon regulation," March 31, 2006, *Carbon Finance Online* (online at www.carbonfinanceonline.com; subscription required); also see "2006: Progress Energy's Report to Shareholders: An Assessment of Global Climate Change and Air Quality Risks and Actions" (online at <http://www.progress-energy.com/environment/climatechange.asp>).

⁹ See Dale E. Heydlauff (American Electric Power), quoted in "Global Warming," August 16, 2004, *Business Week* (online at http://www.businessweek.com/print/magazine/content/04_33/b3896001_mz001.htm?gl); David Ratcliffe (Southern Company), quoted in "U.S. Utilities Urge Congress to Establish CO₂ Limits," Bloomberg.com (online at <http://www.bloomberg.com/apps/news?pid=10000103&sid=a75A1ADJv8cs&refer=us>); and Wayne Brunetti (Xcel), quoted in "Xcel Energy expects U.S. carbon regulations," September 9, 2004, PointCarbon (online at <http://www.pointcarbon.com/article.php?articleID=4459&categoryID=147>).

When a significant share of industry speaks out in favor of environmental regulations, including several major companies in the industry sector likely to be most heavily regulated, it is a strong sign that such regulations are near at hand. It is quite possible that limits will be in place and operational before the same could be said for a proposed coal plant currently in the regulatory approval process.

With pressure mounting from all sides, the federal government will need to act soon, and has already moved forward in the process. In 2005, the Senate passed a non-binding resolution showing for the first time that a majority of Senators recognized the need for a mandatory cap on global warming emissions. Today, legislation setting declining caps on U.S. global warming emissions has been reported out of the Senate Environment and Public Works Committee, and 176 Representatives have cosponsored such legislation in the House. Dozens of other bills to reduce global warming emissions have also been introduced in Congress by both parties.

We estimate that coming federal regulation of global warming emissions could increase the costs of new coal plants by 30-50 percent, as coal is the most carbon intensive fuel. As described in more detail in David Schlissel's testimony, under a likely range of future CO₂ prices, the Sunflower plant could be paying an additional \$387 million to \$966 million a year by 2030. When combined with the significant increase in construction costs of approximately 30-80 percent over the past few years, investing in new coal plants is a risky financial gamble.

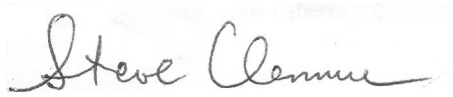
Last year the Kansas Department of Health and the Environment rejected the Sunflower coal plant, the first state to reject a new coal plant because of its public health and environmental impacts of global warming pollution. As other states are considering proposed coal power plants, this decision sets an important precedent. This step put Kansas in a leadership role among the other states that have begun to take concrete actions to address global warming.

House Bill 2711 and Senate Bill 515 would undo Kansas' major contribution to solving global warming to date and allow the massive Sunflower coal plant to proceed, without any requirement to control its carbon emissions. By stripping the Secretary of the Kansas Department of Health and the Environment of his power to require coal plants to meet more stringent standards than the federal government and requiring the state to issue a permit even if the Secretary determines that a proposed project threatens the health and environment of Kansans, these bills would open the door to other coal plant developers who have had their plants rejected in other states.

In contrast, Kansas has enormous untapped potential to meet its electricity needs with energy efficiency and clean, renewable energy sources such as wind, solar, and bioenergy. Data from the U.S. Department of Energy shows that Kansas has the technical potential to produce more than all of its current electricity needs with renewable energy. Investing in renewable energy instead of new coal plants would provide a hedge against future carbon regulation and rising energy prices, save Kansas consumers money, grow the economy, create jobs, and leave a healthier environment for future generations. Kansas could realize these benefits by joining the 25 other states that have adopted renewable electricity standards.

Do not let Kansas take a step backwards.

For these reasons, we urge you to reject House Bill 2711 and Senate Bill 515.

A handwritten signature in black ink that reads "Steve Clemmer". The signature is written in a cursive style with a long, sweeping underline.

Steve Clemmer
Research Director
Union of Concerned Scientists