



Overhaul or Scrap ACESA

The House is scheduled to vote Friday on the “American Clean Energy and Security Act of 2009.” The numerous provisions in ACESA’s 1,000-plus pages do not add up to the steps needed to avert catastrophic climate disruption. Moreover, the bill’s emissions trading provisions create vested interests that would make future reforms very difficult.

ACESA’s Major Flaws:

- 1) **Weak cap.** ACESA’s “cap” on greenhouse gas emissions represents reductions of only 1 - 4% below 1990 levels by 2020, far less than climate scientists deem necessary.
- 2) **Offsets further weaken the cap.** ACESA overwhelms its own cap by allowing up to two billion tons of dubious carbon “offsets” annually, with up to three-quarters from international sources. If all offsets are used and allowances banked, U.S. emissions from fossil fuels to keep increasing until 2029. ACESA’s offsets provisions have been further weakened by the latest compromise: transferring offset from EPA to the Department of Agriculture. (The compromise also sabotages EPA efforts to account for indirect impacts of biofuels production.)
- 3) **Fails to put a meaningful price on carbon.** The weak cap combined with offsets, would result in a price on carbon far too low to produce the changes in energy use necessary to avert catastrophe. Free allowances to utilities and energy intensive industries further mute the price signal needed to shift to a low-carbon economy.
- 4) **Trading combined with “subprime” offsets will lead to speculative bubbles.** ACESA’s trading provisions would create a volatile \$2 trillion carbon market with unregulated derivatives that could crash financial markets again. Linking trading systems internationally would lead to even larger opportunities for speculation, gaming and fraud.
- 5) **Weak renewable energy standard.** ACESA’s Renewable Energy Standard (RES) is watered down to just 15% by 2020, barely greater than “business-as-usual.” Furthermore, ACESA defines “renewable energy” to include dirty sources such as waste incineration.
- 6) **Handouts for the coal and oil industries.** Through free allowances and a hidden utility tax, the coal industry would receive approximately \$150 billion over the bill’s lifetime for “deployment” of carbon capture and sequestration (CCS) technology that presently doesn’t exist and may never materialize. If feasible, CCS would require far more mining, transportation and burning of coal to produce electricity. ACESA would also give approximately \$24 billion to oil refiners under the pretext that the world’s most profitable industry needs still more financial assistance.
- 7) **Pre-emption of EPA authority.** ACESA would pre-empt EPA’s authority to regulate sources of greenhouse gas emissions under the Clean Air Act, while also overriding stronger laws at the state and regional levels. By disabling this regulatory backstop, ACESA ensures that – if the bill is not drastically reformed or replaced – its failure as climate policy will be catastrophic.

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The climate crisis is urgent, but that is all the more reason not to pass seriously flawed legislation. We urge Congress to overhaul or scrap ACESA for a stronger and less complex bill with serious RES standards and a carbon tax with revenue-recycling, managed price or cap-and-dividend approach.