FACT SHEET

October 27, 2009

Like the House climate change bill, the Senate Kerry-Boxer bill would increase costs of gasoline, diesel and aviation fuel, and drive jobs and production overseas, increasing greenhouse gas emissions (GHGs) in foreign countries that would have a new competitive advantage.

Under the "Clean Energy Jobs and American Power Act," U.S. refiners would have to buy allowances, increasing their costs and giving a competitive advantage to non-US refiners. U.S. jobs would be lost and contrary to the bill's intention, America would be less energy secure and more reliant on imports of gasoline and other refined products.

The overall cost of Kerry-Boxer is even greater than Waxman-Markey.

- Kerry-Boxer makes available fewer international offsets than Waxman-Markey. The Congressional Research Service identified the availability of international offsets as the most important factor in keeping down the cost of climate legislation.
- The Senate bill does not preempt any other federal or state climate programs (Waxman-Markey at least preempted most Clean Air Act requirements). Overlapping requirements would add significant cost and confusion to regulated entities and, ultimately, consumers.
- The 2020 cap is tightened from 17% under Waxman-Markey to 20% in Kerry-Boxer. A tighter cap in the early years of the program is especially costly as new technologies cannot be developed to reduce CO2 emissions in such a short time.

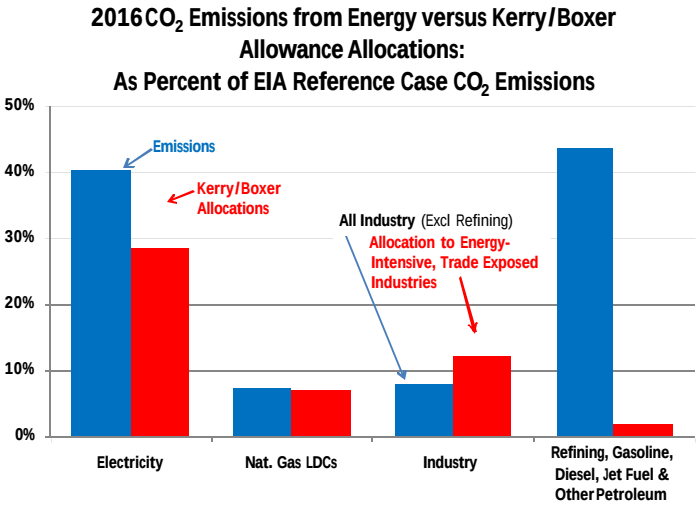
Allocations to **ALL** regulated entities have been reduced significantly.

- Although the nominal allocations to entities with compliance obligations remain similar to Waxman-Markey, the Kerry-Boxer approach sets aside over 20% of the total allowances as "Reserve" allowances to be used for deficit reduction and other purposes. Thus, utilities, manufacturing facilities, refiners and other entities with compliance obligations actually receive about 20% fewer allowances than under Waxman-Markey.

The unbalanced bill puts disproportionate costs on people who drive a car, truck, tractor, or take a flight.

- In an analysis of the less costly House climate change bill, the federal government's Energy Information Administration (EIA) said the bill could increase gasoline prices by as much as 33.5% above projected 2030 levels and push pump prices above $5 a gallon. In the same analysis, diesel prices could rise by more than 44 percent by 2030 and push prices above $5.60 a gallon. It also said total costs for the average U.S. household would increase up to $1,870 in 2030.

- The Heritage Foundation projects 90% increases in electricity costs and 55% increases in natural gas costs if the House bill became law.
- The legislation drives up individual and business fuel costs because it inequitably distributes free emission "allowances" to various sectors. Refiners are held responsible for 44% of emissions, including the refinery emissions (about 4%) as well as consumer emissions from planes, trains, automobiles, heating oil, and other petroleum use. Yet refiners are allocated less than 2% of allowances.



- In contrast, some other sectors receive free allowances that match or exceed their obligation.
- Unlike power generation, which has the ability of switching to a low-carbon fuel source, there is no commercial scale low-carbon source to fuel the nation's 250 million cars or the millions of trucks and buses.
- This inequitable system of allocations disproportionately hurts constituents that rely on gasoline, diesel fuel, heating oil, jet fuel, propane and crude oil. The unbalanced cost burden of the bill is contrary to a "market based" approach. The bill would also have a ripple effect throughout the economy as increased energy costs impact the costs of goods and services.

<u>We cannot afford to lose more high-paying jobs.</u>

- The federal Government Accountability Office warns that a cap-and-trade bill would give manufacturers in China and other countries a competitive edge over American companies. GAO said the program could also lead to "carbon leakage" as other countries' emissions could offset benefits that might result from U.S. restrictions.
- Multiple studies of the less costly House bill project that more than 2 million net jobs could be lost, even with new green jobs created.
- Over nine million Americans depend on the oil and natural gas industry for their jobs.
- The language in the bill itself acknowledges that job losses are inevitable, setting aside more than $4 billion to re-train American workers who lose their jobs.

<u>The bill outsources refining capacity and weakens our energy security.</u>

- The bill compounds inequities by barring U.S. refiners from receiving domestic protections granted to other industries exposed to foreign competition. The bill establishes international competitiveness protections for "energy-intensive, trade

exposed industries" with one exception – *petroleum refiners* – even though the federal government ranks refining the nation's second most energy-intensive industry.

- By singling out one sector as ineligible for these protections, the bill's sponsors are picking winners and losers, and risking sending millions of barrels of refining capacity and thousands of jobs overseas. This hurts both energy security and the economy.
- According to an EnSys study on the Waxman-Markey bill, by 2030 the unbalanced cap and trade program reduces U.S. refining capacity by over 25%, and reduces domestic refining investment by 88% (over $90 billion). Yet despite the associated job loss, the drop in worldwide refining emissions would be negligible, as refining capacity would most likely move overseas (and export refined products to the US).

Climate change policy should encourage greater supplies of clean-burning natural gas.

- Half of the free allowances for the power sector are granted on the basis of historical emissions, benefitting older, higher emitting plants at the expense of newer, lower emitting natural gas-fired generators.
- Thus, the bill puts downward pressure on domestic natural gas production and use, once again driving jobs and production overseas. Consumers could face higher costs for goods and services made from or powered by natural gas.
- A placeholder is present in the Kerry-Boxer bill to incentivize natural gas in power generation, but many questions regarding the provision's effectiveness remain.

The oil & natural gas companies are by far the leading investors in R&D for low-greenhouse gas energy technology.

- Since 2000, the government and U.S. companies spent $133 billion on new energy technology to reduce greenhouse gases. Nearly half of that "clean energy" investment is by American oil and natural gas companies.