

# Congressional Perspectives

## **Climate Change & Transportation Sector Emissions**

**Asilomar Conference Center – August 2005**

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# Past, Very Recent Past & Future

- **Brief history of Congress' action on climate and transportation emissions –a glacial pace**
- **This session's missed opportunities – energy & highway bills - and two bright spots regarding carbon**
- **Prices at the pump, politics and possibilities**

# Brief history of Congress' "action" on climate & transportation ghg's

- 1971 - Congress funds Climatic Impact Assessment Program to look at airplane exhaust and climate - inconclusive
- 1975 - Energy Policy & Conservation Act mandated doubling fuel economy
- 1977-1978 - 6 research bills introduced
- 1978 - National Climate Act passed - set up office in NOAA not DOE

## (cont.) Congress' "action" on climate change

- 1980 - Energy Security Act passes requiring study of rising CO2 levels
- Mid-1980's - Rep. Gore et al hold hearings
- 1988 - Drought hearings spotlight Dr. James Hansen's findings on climate
- 1990 - Congress passes Global Climate Change Research Act requiring national assessments and coordinated research

## (cont.) more Congressional "action"

- 1989-1990 - Congress considers and defeats various efforts to increase CAFE
- 1990 - Bills introduced to cut CO<sub>2</sub> from all sources in the context of 1990 CAAA
- 1990 – OBRA increases gas tax by \$.05 & doubled gas guzzler tax (and indexed)
- 1991 - Motion to proceed to energy bill with CAFE increase and ANWR fails

## **(cont.) yet more “action?”**

- **1992 - Energy Policy Act establishes DOE registry for voluntary ghg reductions & alt. fuels program, appliance standards – no CAFE and no ANWR**
- **1992 – Senate ratifies United Nations Framework Convention on Climate Change with understanding that “no regrets” policy is enough to comply**
- **1993 – House passes Clinton/Gore BTU/carbon tax by slim margin focused mainly on upstream with many exemptions. Never moves in Senate. Slight gas tax increase in budget.**

## **(cont.) stop action**

- **1994 – Clinton Administration contemplates increased CAFE for light duty trucks. Annual appropriations riders prevent increase for six years and Admin threatens no veto.**
- **1997 – Kyoto Protocol negotiated by US. Byrd-Hagel resolution passes Senate 95-0. Clinton/Gore sign Protocol despite resolution. Knollenberg rider prevents implementing and evaluating costs/benefits of Kyoto – in FY97-00, again no veto threat or Admin opposition.**

## (cont.) action/inaction

- September 2000 - Candidate Bush promises to control power plant CO2 emissions
- January 2001 – Climate change added to name of EPW Clean Air Subcommittee
- March 13, 2001 – President Bush reverses pledge on power plants and rejects Kyoto Protocol
- August 2001 – House passes energy bill calling for reduction of 5 billion gallons in light duty truck fuel consumption for 2004-2010

## (cont.) acting and action

- March 2002 – Senate votes 62-38 to tell NHTSA to develop new CAFE standards pursuant to existing law in lieu of stringent Kerry-McCain amdt to energy bill to increase CAFE – but also bizarrely freezing “pickups” at 20.7 mpg
- April 2002 – Senate passes Energy bill with several climate provisions, though it never became law

# 2002 Senate Democrats energy bill

## – climate related provisions

- **Voluntary/mandatory reporting with trigger– required auto manufacturers to count new fleet emissions**
- **Byrd/Stevens stabilization strategy – R&D and international energy development**
- **Foreign Relations Committee resolution calling on Administration to re-engage and obtain binding, truly global ghg treaty**
- **Renewable Portfolio Standard – 12% by 2020**

# reaction

- June 2002 – Senate Environment and Public Works Committee approves first bill ever to control any U.S. sector's carbon dioxide emissions – power plants curbed at 1990 levels by 2008. Reaction to White House reversal and freeze/clamp on Committee Republicans flexibility to negotiate a four-pollutant bill.

# Omen of future interference?

- Early 2003 - Bond rider in FY03 consolidated appropriations bill requires NAS study of states' practices in setting mobile source emission standards – apparently aimed at California effort to reduce greenhouse emissions from transportation sector. Final report is expected this fall.

## (cont.) more acting

- April 2003 – House re-passes H.R.6, the energy bill, in very similar form as in previous Congress, after soundly defeating amendment to reduce automotive fuel use by 5% by 2010.
- August 2003 – Senate passes Democrats bill from previous Congress in order to get to conference. Contains same climate provisions as in 2002. Still no CAFE.

# McCain-Lieberman

- October 2003 – Senators McCain and Lieberman force a vote on their economy-wide ghg cap-and-trade legislation. Though it loses by a vote of 43-55, many viewed this as forward motion because any number of proponents greater than 40 means there may be a working “filibuster-sustaining” voting block.

# Anti-action

- December 2003 – At a press conference during Milan meeting of Conference of Parties to Kyoto Protocol – Chairman of the Senate EPW Committee – Senator Jim Inhofe announces that global warming is **“perhaps the greatest hoax ever perpetrated on the American public.”** Rep. Cannon says the phenomenon is largely result of scientists desiring more research money.

# Hits and missed opportunities – 2005 thus far

- Hit - Senate EPW Committee defeats Administration “clear skies” legislation on a tie vote – because of clean air rollbacks and lack of carbon component
- Miss – Congress passes \$286 billion transportation authorization bill with no climate mitigation, adaptation or research provisions (incl. SAFETEA research center) and no significant demand reduction or smart growth, and damage to conformity

# Hits and Misses continued...

- Miss – As an amendment to Senate energy bill, revised version of McCain-Lieberman cap-and-trade system fails on a 38-60 vote – worse than in previous effort
- Hit – Bingaman-Specter sense of the Senate resolution passes 53-44 – calls for Congress to enact mandatory, market-based limits on greenhouse gas emissions

# S.Amdt. 866 – Bingaman-Specter replacement for Byrd-Hagel

- **It is the sense of the Senate that Congress should enact a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases that slow, stop, and reverse the growth of such emissions at a rate and in a manner that – 1) will not significantly harm the United States; and, 2) will encourage comparable action by other nations that are major trading partners and key contributors to global emissions.**

# Why outcome of Bingaman-Specter in lieu of McCain-Lieberman?

- **Nuclear subsidies vs. Auto industry retooling**
- **Old study/high cost vs. new studies/lower cost/vaguer language**
- **Presidential politics**
- **Bipartisan and influential outside players  
(National Commission on Energy Policy)**
- **Emissions intensity approach**
- **Safety valve/tax/price vs. Cap/quantity  
(Congressional Budget Office)**

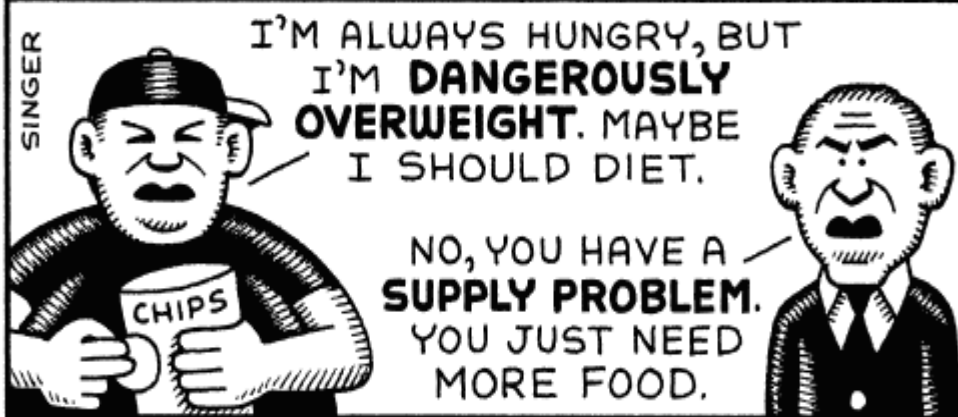
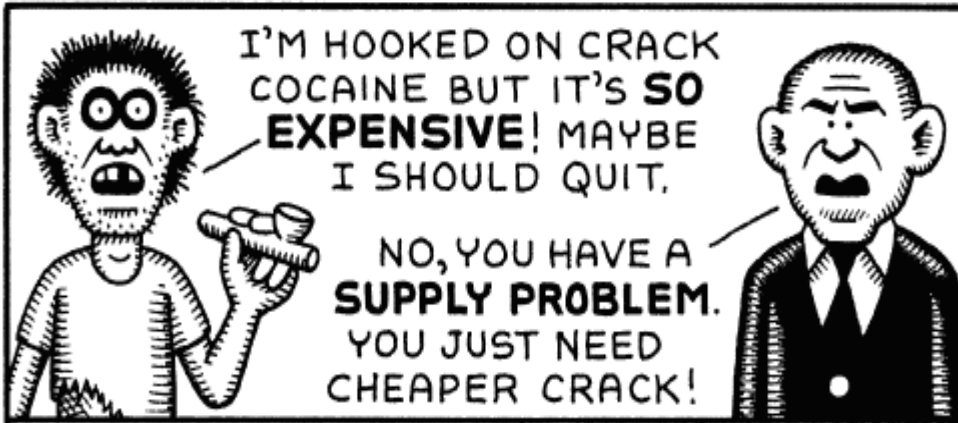
# [the minimalist]

## Energy Policy Act of 2005

- Updating of CAFE test procedures
- Extension of flexible fuel vehicle CAFE credit
- Tax cuts - \$2.6B for oil and gas production and refining, \$2.95B for coal, \$1.57B for nuclear, \$1.26 for efficiency, \$4.5 for renewables, about \$.87 billion for “advanced” vehicles
- New ethanol mandate – renewable fuel standard
- Externalities study on energy activities by NAS
- Loans/grants to voluntarily develop and deploy technologies to reduce carbon intensity – Hagel

# Gas price increases overtake energy bill





- Energy bill is consistent with the voluntary, laissez-faire Administration approach to energy and climate policy

# Prices, politics, possibilities

- Gas prices are at semi-historic high – may make more policy options viable
- Senate Committees & jurisdiction - climate
- General ramping up of legislative activity
- Presidential politics and legacy
- Domestic industry woes
- Near term possibilities and opportunities

# Gas prices provide an opportunity



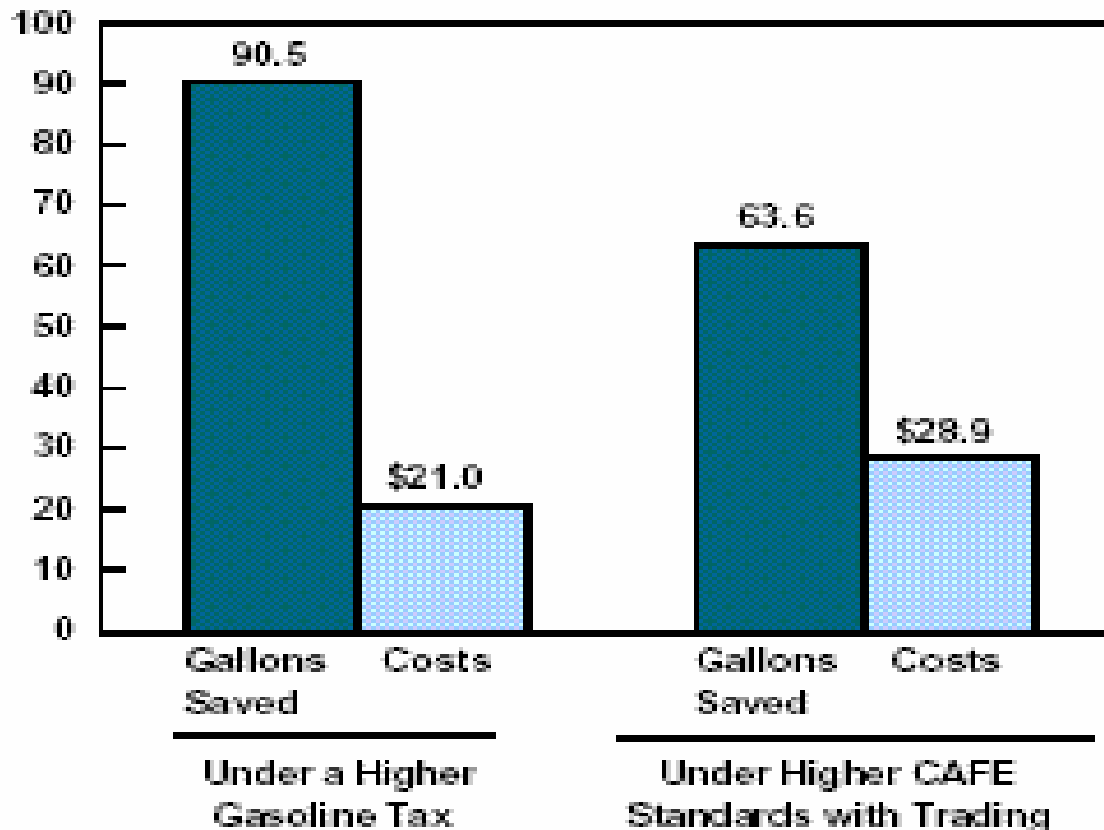
# Energy/climate security opportunity



## Summary Figure 1.

# The Effects of CAFE Standards with Trading Versus a Gasoline Tax Over the First 14 Years

(Billions)



Source: Congressional Budget Office.

Notes: CAFE = corporate average fuel economy.

The figure depicts effects over the first 14 years (after which all current vehicles are assumed to be retired) from policy changes that would bring about a 10 percent reduction in gasoline consumption.

# CBO likes gas tax better than CAFE, but high prices may substitute

**Summary Table 1.**

## Total Long-Run Annual Costs to Achieve a 10 Percent Reduction in Gasoline Consumption Under Alternative Policies

(Billions of dollars)

	CAFE Standards		Gasoline Tax
	Without Trading	With Trading	
Policy Modeled	31.3 mpg for cars 24.5 mpg for light trucks		46-cent-per-gallon increase
Total Welfare Costs <sup>a</sup>	3.6	3.0	2.9
Producers' costs	1.2	0.8	0.5
Consumers' costs	2.4	2.2	2.4

Source: Congressional Budget Office.

Note: CAFE = corporate average fuel economy; mpg = miles per gallon.

a. For producers, costs are measured as reductions in total profits, while for consumers, they are measured as reductions in the amount that consumers value their new vehicle over and above the purchase price.

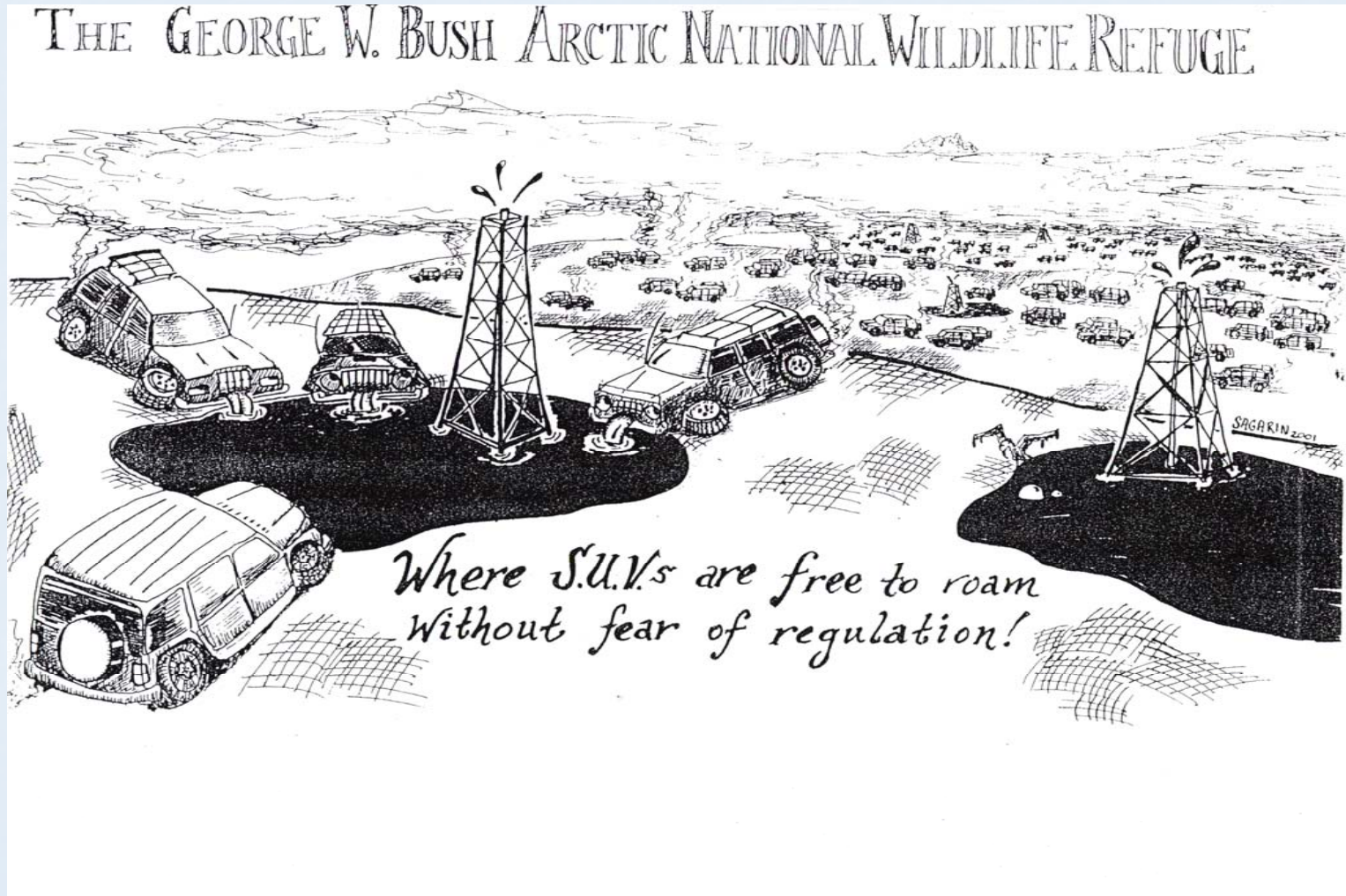
# Senate Committees & Domenici-Bingaman process

- ENR moving forward with gas price hearings and also climate change hearings with possible markup of NCEP proposal
- EPW majority moving forward with hearings to bash Kyoto and make case for continued inaction and question science
- Jurisdictional collision and Presidential politics

# Ramping up of legislative activity - & prospective new legislation

- Counter-cyclical oil tax –if prices drop below \$50 or \$60 per barrel, tax applies and revenues used to improve technology, hold low-density states harmless, protect infrastructure investments, etc.
- Increasing CAFE in exchange for retooling, retrofitting manufacturing and removing guzzlers
- Increase gas guzzler tax, index current excise tax
- Emissions-based substitute for CAFE similar to Pavley but on national scale

# Reconciliation – ANWR and more



# Presidential Politics

- Jockeying for 2008 has already begun, but increasing focus on 2006 due to gas prices not as much climate change
- McCain is front runner in most R polls
- Hagel has a voluntary approach
- Frist may seriously consider Domenici-Bingaman with knowledge that House kills
- Trips to Alaska

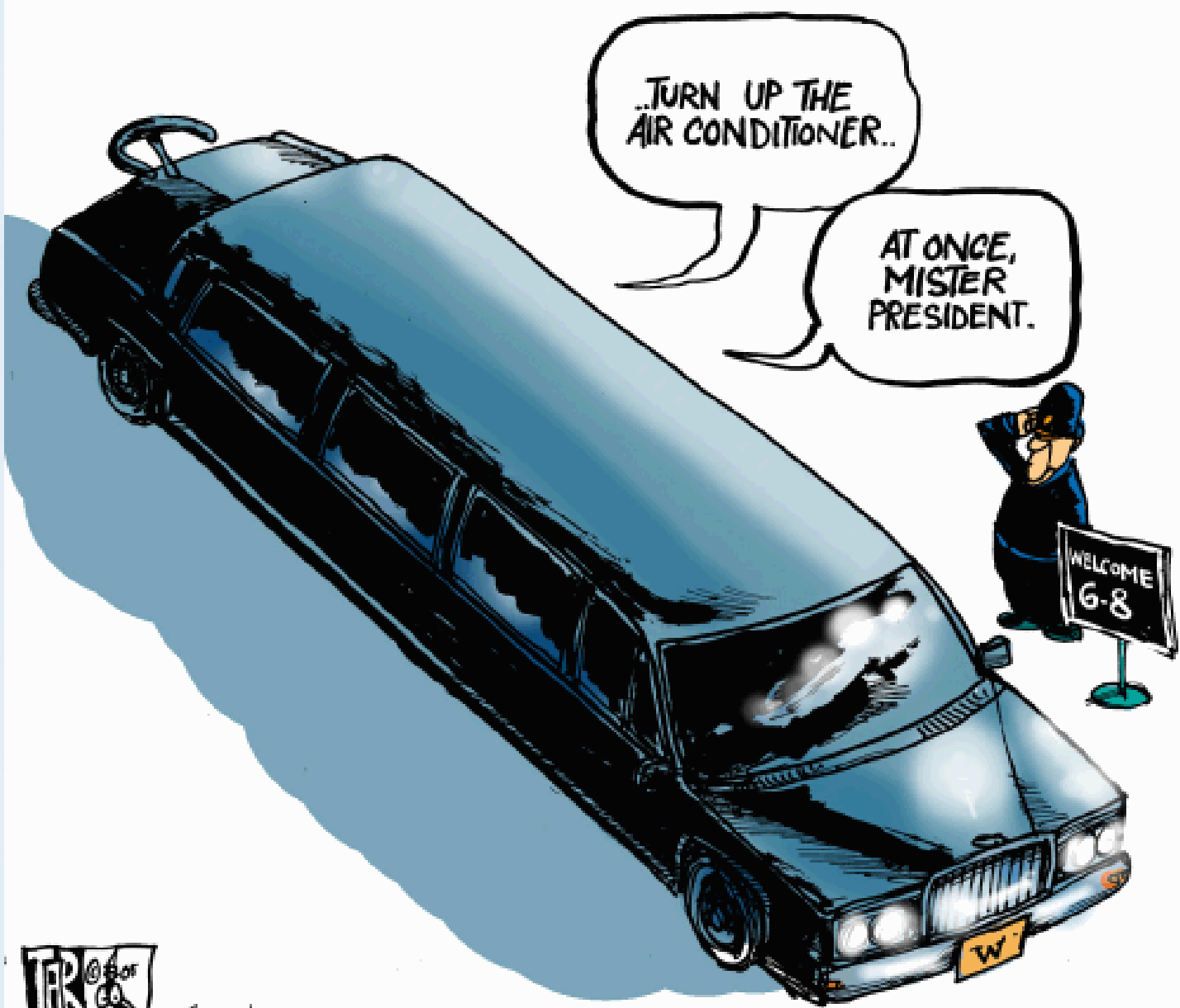
# Domestic Industry Woes

- SUV sales are way down and still dropping
- UMTRI & NRDC report "In the Tank"
- UAW supported Bingaman resolution and NCEP proposal as did UMW
- Outsourcing is a powerful political target in the auto-making states

# Where will DC go in near-term? Confluence or Confusion?

- Stalemate or stagnation unless WH leads or Senate's Presidential hopefuls force issue or revolutionary change in 2006 elections occurs
- Public pressure still only focused only on short-term gas prices not long term climate
- Need but no source for revenue to pay domestic industry to move forward on CAFE and technology investments
- Anti-war sentiment growing and may translate
- Unique lobby growing for climate action (religious and investor communities)
- International pressure and possible trade issue
- Attacks on states efforts (Pavley, NE...)

BUSH ACKNOWLEDGES THE REALITIES OF GLOBAL WARMING..



# Addendum

- New Administration proposal on SUV CAFE includes the following language – “A state law that seeks to reduce motor vehicle carbon dioxide emissions is both expressly and impliedly preempted.” and
- “...since the way to reduce CO2 emissions is to improve fuel economy standards or average fuel economy standards.”