

Energy and Climate Legislation: More Transparency and Accountability, Not More Giveaways



May 7, 2010

Dear Senator,

There are three key principles that must be addressed in any energy and climate change legislation the Senate considers. First, whatever system it creates to regulate carbon must be transparent. Second, both regulators and industry must be held accountable for meeting the standards the legislation sets for carbon reduction. And finally, energy and climate legislation should not be loaded with sweeteners like new or expanded subsidies for mature energy industries that do not need them. **We urge you to oppose any new subsidies for mature energy industries** and pass a climate bill that doesn't pick the pockets of taxpayers, while padding the pockets of big energy.

Using legislation aimed at curtailing carbon emissions as a means to expand subsidies for mature energy industries is fiscally irresponsible. The nuclear industry, for example, may be the biggest winner from proposed climate legislation, even though it has proven it cannot survive without massive taxpayer support. Since the 1940's, the nuclear industry has received more than \$120 billion in federal subsidies, not counting the enormous liabilities taxpayers assume insuring nuclear accidents and handling waste disposal. The climate bill will reportedly include \$54 billion in additional loan guarantees, adding to the \$18.5 billion the industry already enjoys. Reports indicate the entire Senate energy bill (S.1462) will be added to the climate bill. This legislation includes the creation of the Clean Energy Deployment Administration (CEDA), which would permit unlimited loan guarantees to the nuclear industry, as well as coal and synthetic fuels. Taxpayers should not be asked to provide any new subsidies for these mature industries.

The coal industry also stands to benefit from billions in subsidies for "clean" coal and carbon capture and storage (CCS) technologies contained in the current proposals. The federal government has provided generous subsidies for clean coal for years with little to show for it. The coal industry will also benefit from billions in subsidies for CCS. While the coal industry touts CCS as a means to continue to profitably use coal and reduce carbon emissions, commercial viability of CCS technology remains uncertain. Not only would it take massive investments in infrastructure and subsidies to test the commercial viability of CCS, but taxpayers could also be liable for any cleanup from an accident. Taxpayers have already provided billions of dollars in clean coal and CCS funding and should not be asked to provide more in the climate bill.

Other economically risky fuels including coal liquids, oil shale, tar sands could also benefit from the climate bill. Promoted as new cleaner alternatives to the traditional fossil fuels, these unconventional fuels known as "synfuels" are risky, high cost alternatives that often produce more greenhouse gas emissions than conventional fuels. Taxpayers funded massive synfuels production in the 1980's and lost billions. The climate and energy bill should not make the same mistake.

More subsidies for corn ethanol would also undermine energy and climate legislation. Since the 1970's taxpayers have generously subsidized corn ethanol, and currently lose more than \$5 billion a year on the ethanol tax credit that goes to Big Oil companies – not corn growers. The ethanol industry already benefits from mandates and

import tariffs as well. Adding any additional subsidies would do little more than add to the laundry list of giveaways.

Reports have also indicated that the energy and climate bill could alter revenue sharing provisions between the federal government and the states for offshore drilling activities in federal waters. While TCS Action is not opposed to off-shore drilling, changing the federal share of royalties to unfairly benefit a few states robs the Treasury of valuable revenue that is owed to all taxpayers.

Taxpayers cannot afford to pad the pockets of these industries of the past with new and expanded subsidies, through allowance handouts, loan guarantees or other incentives. Many of these industries helped create this problem, and providing subsidies for them could easily undermine any gains made by new climate legislation. Instead of approving more subsidies, lawmakers should set limitations on carbon – and let the market determine which technologies are best able to meet our energy needs.

We urge you to support a transparent bill that reduces subsidies to well-established, highly profitable companies, and that holds industry accountable for meeting our clean energy needs. At the end of the day, the country needs legislation that puts taxpayers' interests above those of big energy.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Ryan Alexander". The signature is fluid and cursive, with the first name "A. Ryan" and the last name "Alexander" clearly distinguishable.

Ryan Alexander
President