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## **A hefty price to go green**

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WASHINGTON – Sure, you want to save the planet, but how much do you want to pay for it?

Local electric utilities say environmental legislation moving through Congress carries a potentially hefty price tag, with rates projected to rise about 25 percent in 2012 just from one aspect of the proposal. And Midwesterners could be especially hard hit, they say.

"It's undeniable the cost will be significant," said David Sokol, chairman of Iowa-based MidAmerican Energy Holdings Co.

Sokol is scheduled to testify Tuesday before Congress about legislation intended to reduce the amount of carbon dioxide and other greenhouse gases the United States pumps into the atmosphere.

### **Cap and Trade**

Legislation recently approved by the House Energy and Commerce Committee includes a "cap and trade" system.

**Cap:** The bill would put a lid on U.S. greenhouse gas emissions that contribute to global warming, reducing 17 percent below 2005 levels by the year 2020 and 83 percent by 2050.

**Trade:** The bill also sets up a system for buying and selling allowances, or permits, that would be required for factories and plants to produce those gases. The government would give away many of the allowances for free early on.

His focus is on the "cap and trade" system included in the bill approved recently by the House Energy and Commerce Committee.

The ultimate goal of the legislation is to reduce the greenhouse gas emissions that many scientists say contribute to global climate change and its consequences: melting ice caps, rising sea levels, drowning polar bears and so forth.

The proposed system would place a "cap" on the amount of greenhouse gases that companies are allowed to produce and reduce overall emissions to 17 percent below 2005 levels by the year 2020 and 83 percent by 2050.

It also would require manufacturers, power plants and other operations to obtain allowances for the greenhouse gases that they emit. The government would sell those allowances and, at least initially, give away a large share of them to various industries for free. Companies would then be able to "trade" those allowances.

Proponents say such a system would reduce overall emissions in the most efficient manner. The idea is that if it's cheaper for a factory in Arizona to reduce its emissions than for a coal-fired power plant in Indiana, then the Arizona factory would reduce its emissions and sell its extra allowances to the Indiana plant.

Putting a price on greenhouse gas emissions would spur conservation and the development of new technologies and raise revenues that the government could re-direct toward cleaner energy sources.

But Sokol and others say the proposal is going to cost some serious dough and that the trading part of the system is inherently flawed.

MidAmerican Energy Company, which provides electricity to Iowans, owns or partially owns 11 coal-fired power plants that emitted a total of more than 24 million tons of carbon dioxide last year.

Sokol isn't eager to wade into a debate over the underlying science of climate change. If the government adopts a policy goal of reducing greenhouse gases, then so be it. But he advocates simply requiring utilities to meet new limits on emissions or be shut down.

Adding the "trade" portion simply levies a new tax on energy, he said.

Sokol said that the requirement to purchase allowances alone would result in an estimated 26 percent rate increase in 2012 for MidAmerican's customers in Iowa.

That figure is based on the assumption that allowances would cost about \$25 per ton, he said, and that the price could end up higher than that. Those figures also do not include the billions of dollars that would be required over the course of the legislation to meet the new caps through steps such as building new natural gas-powered plants.

Omaha Public Power District estimates the trading portion of the bill would mean a rate increase of about 25 percent in 2012, with rates nearly doubling by 2030, said Gary Gates, the district's CEO.

Sokol also said the trading system would disproportionately affect the Midwest, which uses coal to produce much of its electricity. Because the West Coast is less reliant on coal, he said, it would be able to collect the free allowances and sell them to those in the Midwest.

And he questioned the benefit of reducing U.S. emissions if other countries, such as India and China, continue increasing their own emissions.

For the record, Sokol doesn't hate polar bears.

"We didn't build any of these (coal-fired) plants to melt the polar ice caps," Sokol said.

Rather, those plants represented the cheapest way to provide energy to customers, he said.

For their part, backers of a cap and trade approach take issue with the case being made by the utilities.

Dan Lashof of the Natural Resources Defense Council said Sokol is overstating how much the allowances are likely to cost. He pointed to EPA estimates of much lower prices for allowances and less financial impact for consumers.

The bill includes the "free" allowances to help utility customers and other provisions aimed at mitigating the financial repercussions. For example, the government would maintain a strategic reserve of allowances that it could dump onto the market if speculators drove up the price of allowances.

As for China and India, the United States could impose import tariffs on goods produced in countries that refuse to adopt similar emissions standards, Lashof said.

The legislation also will achieve important policy goals for the country, Lashof said.

"What we get is a more sustainable basis for economic growth that will clean our air and protect our climate from potentially disastrous changes," Lashof said.

The bill has a long way to go before reaching the president's desk. House Agriculture Committee members are eager to get their hands on it to write in protections for farmers and boost support for ethanol. The Senate must pass its own version of the bill, which could differ greatly from the House proposal.

Rep. Lee Terry, R-Neb., a member of the Energy and Commerce Committee, opposes the version the panel approved last month.

On environmental policy, Terry described himself as "light green" and questioned whether scientists have proven the extent of human activity's contribution to climate change.

Humans do have a responsibility to reduce their impact on the environment, but the cap and trade system is not the answer, he said.

"I'm not willing to drive our economy off a cliff," Terry said.

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