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## The battle over Senate climate bill begins

By Jim Snyder & Ben Geman - 05/11/10 08:42 PM ET

Sens. John Kerry (D-Mass.) and Joe Lieberman (I-Conn.) will unveil a sweeping climate change and energy bill Wednesday that requires greenhouse gas reductions while offering major new incentives for nuclear power, coal, natural gas and offshore drilling.

The bill — which faced several delays en route to Wednesday's unveiling — faces highly uncertain prospects given the Senate calendar, senators' election year jitters, the lack of a Republican co-sponsor and outrage over the massive oil spill in the Gulf of Mexico.

A [summary of the bill](#) was obtained by The Hill. The full legislation will be released Wednesday.

In the summary, the authors have included new protections to appease several coastal-state Democrats who ramped up their opposition in the wake of last month's spill, including a provision that allows states to veto drilling plans under certain conditions.

“Mindful of the accident in the Gulf, we institute important new protections for coastal states by allowing them to opt out of drilling up to 75 miles from their shores. In addition, directly impacted states can veto drilling plans if they stand to suffer significant adverse impacts in the event of an accident,” according to the summary.

The proposal also provides an incentive for states to allow offshore drilling by allowing a 37.5 percent state royalty share. That could upset drilling opponents who see the royalties as an inducement for expanded offshore drilling.

The bill could face lukewarm reactions — or even outright opposition — from some environmental groups if the summaries circulating Tuesday reflect the full proposal.

The measure would block state cap-and-trade programs and creates new limits on the Environmental Protection Agency's power to regulate greenhouse gases. Business groups say such measures are needed to provide regulatory “certainty,” but activists argue they curtail effective tools for limiting heat-trapping gases.

Kerry has expressed optimism the bill can gain traction but acknowledged uncertainties. “[Senate Majority Leader] Harry Reid (D-Nev.) wants to do it. The president wants to do it. Whether we can or not, we will wait and see,” he told reporters Tuesday.

The duo are setting sail with the measure despite the defection of Sen. Lindsey Graham (R-S.C.), which leaves them without GOP backing — at least for now.

Graham pulled back from the effort because, he argues, that Democratic plans to move immigration legislation and, more recently, the Gulf spill have made advancing the measure impossible.

“Getting the idea out there and letting people know that it is new and different, that is their belief, that that will help over time. My belief is that the environment has to be right to do something difficult,” he told reporters Tuesday.

But Graham also praised the package, although he cautioned that he didn’t know all the details because he wasn’t involved in the recent negotiations.

“The product is different and the product was a collaborative effort with industry and environmental groups like we have never had before. Now you have environmental groups attacking the drilling provisions. I don’t know what kind of environmental damage that will do,” he said.

Kerry and Lieberman may have made headway with some coastal-state liberal Democrats by adding new drilling protections.

“My objective is to be able to protect the Mid-Atlantic from offshore drilling, and I believe that during our discussions that that may in fact be achieved, but I want to read the language first,” said Sen. Ben Cardin (D-Md.).

But they nonetheless face major barriers, especially absent any GOP backing.

“I think there is probably too much going on. I think it is probably unlikely,” said Sen. John Thune (R-S.D.) when asked about the measure’s prospects. “This is going to be a bill that’s heavy on mandates and heavy on costs, and I just think it is going to be very, very difficult for them to try and move a piece of legislation like that this year.”

The bill breaks in a host of ways with a sweeping climate and energy bill the House approved last year that has not gained momentum in the upper chamber.

The addition of nuclear power and drilling incentives is aimed at corralling support from Republicans and centrist Democrats. Also, the Senate plan would not subject refiners — who strongly oppose the House measure — to carbon trading markets to address emissions from cars and trucks.

Overall, the bill aims to cut nationwide emissions by 17 percent by 2010 and 83 percent by 2050.

The legislation contains a number of provisions designed to attract business support.

For example, it will include a “hard price collar” that will keep carbon prices between \$12 and \$25 in the trading market created by the legislation, a significant win for electric utilities that sought more assurance the proposal would not lead to huge increases in energy costs.

It creates a cap-and-trade system for power plants and, eventually, large industrial plants. But, in a nod to oil industry concerns, it does not include transportation emissions in the carbon trading program.

It is likely to gain backing from energy companies seeking to build new nuclear plants. It authorizes an

additional \$54 billion worth of loan guarantees for new plants, aims to further streamline licensing procedures and expands a federal risk insurance program.

The measure also provides billions of dollars to develop carbon capture and storage for coal-fired power plants, a key issue to lawmakers from coal-reliant and coal-producing states.

It includes \$2 billion a year to research and develop technologies to capture carbon before it reaches the atmosphere. Coal-fired power plants account for roughly one-third of the country's annual carbon emissions.

The summary also states the legislation would provide "significant incentives for the commercial deployment of 72 [gigawatts] of carbon capture and sequestration."

It could appease Democrats from manufacturing states by providing a delay until 2016 before industrial plants face emissions requirements. It also provides so-called energy-intensive, trade-exposed industries with free emissions permits to help keep down compliance costs.

Crucially, it allows "border adjustments" — also called carbon tariffs — on imports from countries that do not take action to limit emissions, which is aimed at protecting U.S. industries and preventing "carbon leakage," a summary notes.

The measure also provides substantial consumer rebates, which could help blunt GOP allegations that the bill represents a huge new energy tax.

A Senate aide close to the bill declined to comment Tuesday afternoon when asked whether the leaked summaries reflect the plan that will be unveiled Wednesday.

"All I can tell you is that we will have all the final details tomorrow," the aide said.

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