EDISON ELECTRIC INSTITUTE

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EEI Global Climate Change Points of Agreement

- EEI remains committed to working with Congress on enactment of legislation that will produce substantial emissions cuts and mitigate impacts to customers.

- EEI will focus its efforts on a cap-and-trade program, but also remain open to a tax-based or hybrid approach in the event the political environment shifts.

- Consistent with EEI's support for economy-wide programs, there should be no exemptions for any industry or specific fuel.

- EEI will aggressively pursue legislative and regulatory policies in support of climate-friendly technologies.
    - Efficiency and renewables are key to near-term reductions.
    - Maximizing new nuclear is key to mid-to-longer term reductions.
    - The aggressive development and deployment of carbon capture and storage coupled with advanced coal technologies are necessary to preserving the coal option.
    - Plug-in hybrid electric vehicles (PHEVs) and electric vehicles (EVs) can make a major contribution to reducing net GHG emissions, as well as to reducing foreign oil dependence and consumer prices at the pump.
    - Other no and low-emitting carbon technologies should be pursued (*e.g.*, smart grid).
    - Support key concepts underlying the Boucher CCS bill.

- Long-term targets (*e.g.*, 2050) should be set at an 80% reduction below current levels.

- Interim targets should be aligned with technology availability.
    - Near-term targets should be set and driven by efforts on energy efficiency, renewable energy, and, to some extent, new nuclear.
    - Medium-term targets should be set in the 10 – 20 year timeframe after enactment to match up with and enable technology development (*e.g.*, new nuclear, CCS, *etc.*).

- Cost-containment provisions should include a price collar, which would include a firm price floor and firm price ceiling. The collar should be based on the following principles:
    - Start narrow and gradually expand over time as technologies become available.
    - Simplicity of administration and transparency on use of revenue (which should include funding technology development and limiting economic impacts).
    - Formulaic (*i.e.*, easy to determine price for any point in time).
- Offsets also are an important cost containment mechanism that should be allowed to the maximum extent practical, subject to monitoring, measurement, appropriate third-party verification and regulatory oversight.
- State climate policies should be harmonized with federal climate policy, and states can pursue related programs (*e.g.*, energy efficiency programs, renewable portfolio standards, *etc.*). There should not be multiple cap-and-trade programs for GHG reductions.
- There also should be harmonization at the federal level. A single comprehensive federal climate law, rather than a regulatory regime consisting of multiple, overlapping or conflicting statutes, is called for.
- Under a federal GHG cap-and-trade program, allowances should be transferred to the power sector from the oil and gas sector as the market share of PHEVs and EVs increases.
- The best way to mitigate impacts on customers is to flow-through the benefits of allowances to customers. This can best be achieved by having allowances for regulated utilities allocated at the LDC level—a process that would be overseen by the state utility regulators—with appropriate adjustment to address impacts on unregulated generators.
    - Allowances should be allocated in the early years of a climate program, with a gradual transition to a full auction.
    - The initial allocation to the electric power sector should be consistent with its level of CO_2 emissions (*i.e.*, 40%).
    - Sector allowances should be allocated as follows: merchant coal generation would receive allowances equal to 50% of base-year emissions (because it is assumed both that the other 50% is recovered by gas being on the margin in competitive markets and that gas has, on average, 50% of the carbon content of coal), with the balance of allowances allocated to LDCs based on an even split between base-year emissions (including emissions associated with purchased power) and retail sales. This approach is referred to as the "50-50-50" proposal.