

Ending the Energy Stalemate

A Bipartisan Strategy to Meet America's Energy Challenges

National Commission on Energy Policy
Climate Policy Recommendations

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National Commission on Energy Policy

- Launched in 2002 by charitable foundations
- 35 independent research analyses
- Final Report Issued December 2004

Overarching Goal: Ensuring ample, clean, reliable, and affordable energy for the 21st Century while responding to growing concerns about the nation's energy security and the risks of global climate change.

The Commissioners

John Holdren (co-chair)

Harvard University

William K. Reilly (co-chair)

Former Administrator U.S. EPA

John W. Rowe (co-chair)

Chairman and CEO, Exelon Corporation

Philip Sharp (congressional chair)

Former Congressman, Indiana

Marilyn Brown

Director, Energy Efficiency and Renewable Energy
Program, Oak Ridge National Lab

Ralph Cavanagh

Co-Director, Energy Program, Natural Resource
Defense Council

Archie Dunham

Chairman, Conoco Phillips (1999-2004)

Rodney Ellis

State Senator, Texas

Leo W. Gerard

International President, United Steelworkers of America

F. Henry Habicht

Former Deputy Administrator of the U.S. EPA

Mario Molina

Institute Professor, Massachusetts Institute of
Technology

Sharon L. Nelson

Chief, Consumer Protection Division, Washington
Attorney's General Office; Chair, Board of
Directors, Consumers Union

Linda Stuntz

Former Deputy Secretary of Energy

Susan Tierney

Former Assistant Secretary of Energy

R. James Woolsey

Former Director of Central Intelligence

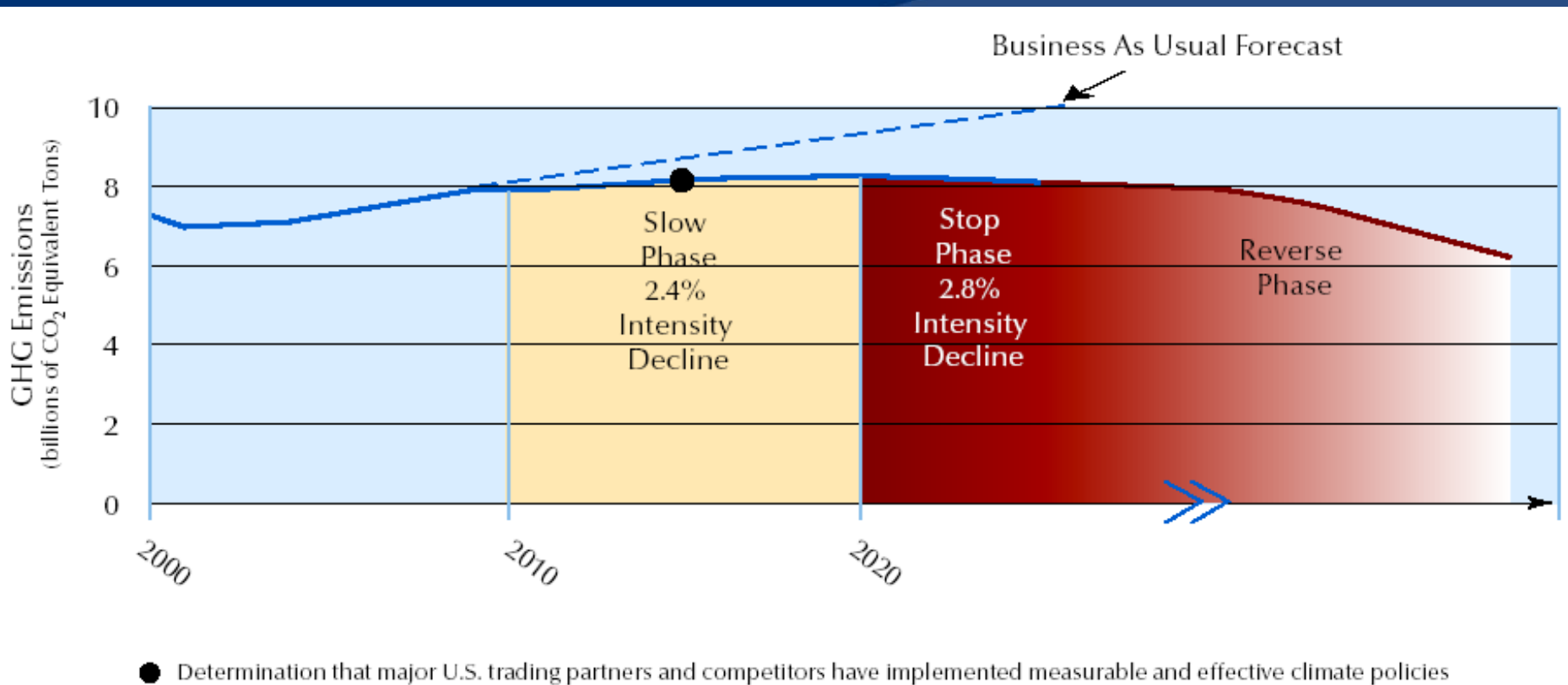
Martin Zimmerman

Vice President, Corporate Affairs, Ford Motor Company
(2001-2004)



Reducing Risks from Climate Change

The Commission's recommendation is to slow, stop, and eventually reverse U.S. greenhouse gas emissions.



Ecological Considerations

- Climate Change is a Century Scale Problem
- Continued volunteerism is not a credible response
- Combine Market Signal & Technology Incentives
- Adopt robust program architecture ASAP that will evolve over time
- Recapture ability to effectively engage developing countries

Economic & Political Considerations

- Limit premature retirement of otherwise valuable energy infrastructure
- Address economic/technology uncertainty through cost cap or “Safety-Valve”
- Link strengthening program to international efforts
- Accelerate low carbon technology through significant increase in research, development and deployment incentives
- Design equitable allowance distribution

Reducing Risks from Climate Change

- Initiate in 2010 a mandatory, economy-wide, tradable-permits system to limit greenhouse gas emissions.
- Cap initial costs to the U.S. economy at \$7 per metric ton of CO₂-equivalent via a “safety valve” mechanism. 5% nominal increase in cost cap annually.
- Link subsequent U.S. action with comparable efforts by other developed and developing nations via a program review in 2015 and every five years thereafter.

Impacts of Commission Proposal

- EIA: “No material impact on economic growth.”
- Compared to BAU, natural gas and electricity prices would be expected to rise by 5%-7% in 2020.
- Gasoline prices would increase by approximately 6 cents per gallon.
- Most dramatic impacts on coal and renewables.
- Coal use would decline by 9% relative to BAU, but would still grow 16% over current levels in absolute terms.
- By 2025, contribution from non-hydro renewables would more than double compared to BAU (to 10% of total generation).