Governor Eliot Spitzer
State of New York
Albany, New York

TESTIMONY OF NEW YORK GOVERNOR ELIOT SPITZER
BEFORE A HEARING OF THE U.S. HOUSE OF REPRESENTATIVES
SELECT COMMITTEE ON ENERGY INDEPENDENCE AND GLOBAL WARMING

"STATE LEADERSHIP TOWARD A LOW CARBON ENERGY FUTURE"

November 14, 2007

Good morning Mr. Chairman and Members of the Select Committee on Energy Independence and Global Warming. I commend this Committee for the critically important work you are doing to confront the threat of global climate change. Thank you for the opportunity to testify before you today about the action New York State has taken—and the actions the United States must take—to address this issue.

Abstract terms and scientific language tend to dominate this debate. So let me put the effects of climate change into real terms from my perspective as Governor of New York.

The fact is that unless the global community takes bold action now to reduce greenhouse gas emissions, the Empire State itself could be virtually unrecognizable within our grandchildren's lifetimes.

Unless we take action now, by the end of the century, our state's vast and beautiful countryside will be altered permanently. Changing climatic patterns will push much of our state's agriculture, including the apple crop for which our state is known, toward collapse. Our abundant fisheries and forest ecosystems will be devastated. And, unless we take action now, the combined effects of rising sea levels and violent storms will threaten the future of our coastal communities.

This is the path we are on. Unless we take action now to reduce greenhouse gas emissions—not superficial action, but bold action that involves hard choices and standing up to special interests—this will be our future.

So right now, we find ourselves at a decisive moment.

The Intergovernmental Panel on Climate Change predicts that between now and the end of the century, global temperatures will rise between 2 degrees and 11.5 degrees Fahrenheit.

That is the difference between manageable climate change and catastrophic climate change. That is the difference between a relatively stable world, and a world plagued by increases in violent storms and far more disease, poverty and hunger.

The difference will be determined not by fate, but by whether or not we can rise to the occasion and make the hard choices necessary to reduce our own greenhouse gas emissions, and to lead the global community in an effort to reduce emissions worldwide.

Whether or not we rise to this challenge will be determined by our priorities. In a way, it boils down to a simple question: What is more important to us, the short-term priorities of a narrow group of special interests—or the stability of the world in which our children and grandchildren will make their lives?

I believe the people are ready for us to give the right answer to this question—even if it involves hard choices.

I believe that the federal government must follow the states' lead in developing a nationwide strategy to reduce greenhouse gas emissions. For example, 12 states—including New York—are waiting for the EPA to approve California's clean vehicle program that could reduce carbon emissions by 100 million tons by 2020. In addition, as I will discuss in today's testimony, the federal government can follow the lead of many states in adopting a cap and trade program to further reduce greenhouse gas emissions.

In this effort, I offer New York State's full assistance in sharing knowledge and best practices from our own effort to address global climate change. Let me briefly describe this effort, and then I will be happy to answer any questions you may have.

New York State's Actions to Address Global Climate Change

New York has a three-pronged approach to addressing climate change: the development of a carbon cap and trade program, an aggressive energy efficiency plan, and a State Renewable Portfolio Standard (RPS) to promote clean, renewable energy.

Carbon Cap and Trade: The Regional Greenhouse Gas Initiative (RGGI)

First, let me update the members of the Committee on the development of the Regional Greenhouse Gas Initiative (RGGI), a groundbreaking cap-and-trade program.

On December 20, 2005, New York State entered into an historic agreement with 10 Northeastern and Mid-Atlantic states to reduce greenhouse gas (GHG) emissions from power plants, which nationwide produce a sizable percentage—40 percent—of all GHG emissions. Under the agreement, the governors of these states have committed to cap carbon dioxide emissions from power plants in their states—and reduce those emissions 10 percent by 2019. In addition to New York, Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont are participating in RGGI. In recent months, the signatories have been drafting the regulatory language that will enact the carbon dioxide caps.

In New York State, we will cap carbon dioxide emissions at approximately 64 million tons from 2009 to 2014. After that, the cap will be reduced by two and one-half percent per year until 2019.

Under the proposed regulations for the "trade" portion of the cap-and-trade program, New York will auction 100 percent of available allowances, which each represent one ton of carbon dioxide. Generators will then be able to buy and sell allowances in a secondary market. Generators that obtain more allowances than their actual emissions will be allowed to sell their excess allowances, and those who are short must buy allowances.

In order to carry out this program, the New York Department of Environmental Conservation is proposing to establish the CO_2 Budget Trading Program, and the New York State Energy Research and Development Authority (NYSERDA) is proposing to establish the CO_2 auction program. Our draft regulations for the entire program were published on October 24 and are now out for public comment. We expect permanent regulations to be in place by Spring 2008.

With regard to the cost impact of implementing the RGGI program, our modeling shows that cost impacts will be low. Carbon dioxide allowance prices—the cost of complying with RGGI—are projected to increase from approximately $2 per ton in 2009 to about $3 per ton in 2015 and about $4.45 per ton in 2021.

By design, this creates winners and losers. Older, less efficient power plants with higher air pollution levels will pay more to comply with RGGI than newer, more efficient units. Dirty generators will be at a competitive disadvantage, and there will be a new incentive to build clean, efficient or renewable generation, such as wind or solar.

The cost of the allowance, just like the cost of fuel, will be built into the generators' electricity prices, but our modeling shows that these impacts will be negligible. For a typical New York residential customer (using 750 KWh per month), the projected increase in wholesale electricity prices in 2015 translates into a monthly retail bill increase of about 0.7 percent or $0.78. Thus, although some have argued that greenhouse gas controls are too costly for consumers, our modeling has shown otherwise. We can and must absorb these modest costs to reduce our greenhouse gas emissions—because the costs to our society of catastrophic global climate change will be far higher.

Finally, proceeds from the initial sale of allowances will be used to expand energy efficiency and renewable energy, especially for low-income consumers. Meeting our energy needs through efficiency and renewables reduces carbon dioxide emissions from the electricity sector and makes achieving the RGGI cap more likely and less expensive.

Overall, the greenhouse gas reductions that will be achieved by RGGI, while significant, represent only a first step towards the carbon dioxide reductions we need to achieve nationwide to seriously confront climate change. We hope it will serve as a model for a national or international cap-and-trade program.

To this end, New York has joined the International Carbon Action Partnership, which will provide an international forum in which governments adopting carbon cap and trade systems will share experiences and best practices on the design of emissions trading programs. In late October I traveled to Lisbon, Portugal, along with New Jersey Governor John Corzine, to participate in the first International Carbon Action Partnership conference. There, we met with world leaders

who have pledged to share information on effective programs that reduce greenhouse gas emissions.

Reducing the Demand for Power: "15 by 15"

In anticipation of launching RGGI, New York has aggressively pursued energy efficiency and renewable energy policies to make achieving the RGGI cap more feasible.

With regard to energy efficiency, New York State is implementing a plan to decrease the demand for power by 15 percent from forecasted levels through efforts to increase energy efficiency. We call this our "15 by 15" approach. This will not only eliminate growth in our forecasted electricity demand, but will actually lower electricity consumption *below* current levels. It is the most aggressive energy efficiency goal in the country.

"15 by 15" will rely on improved building codes, expanded appliance efficiency standards, dramatic reductions in state energy use, and expanded state and utility programs to facilitate efficiency retrofits in the private sector. It is estimated that "15 by 15" will result in an annual carbon dioxide reduction of about 12 million tons, which provides more certainty that we will be able to meet the RGGI cap.

A proceeding launched by New York State's Public Service Commission (PSC) is underway right now. The PSC is evaluating various program designs to achieve this goal at the lowest cost.

Increasing Renewable Energy: The Renewable Portfolio Standard

And with regard to renewable energy, New York already has one of the nation's most progressive standards. Three years ago, New York State adopted a Renewable Portfolio Standard (RPS) that requires at least 25 percent of electricity used in New York State to be produced by clean, renewable resources by 2013.

The program was designed to meet the growing demand for electricity without increasing greenhouse gases. But by adding renewable capacity, we also provide additional benefits such as increasing fuel diversity, reducing exposure to fossil fuel price spikes and supply interruptions, increasing economic development activity from a growing renewable energy industry, and improving the environment.

New York's RPS is funded by a surcharge collected by the State's regulated, investor-owned electric transmission and distribution utilities. The utilities transfer the collected funds to our Energy Research and Development Authority (NYSERDA), which is responsible for administering an incentive-based central procurement program.

To date, NYSERDA has successfully issued two solicitations, and 26 renewable energy projects have been selected. By the end of 2008, we expect that new renewable capacity installed since the onset of the RPS program could exceed 1,200 megawatts in New York.

This program has had a powerful positive impact on our state's economy. Our analysts have estimated that $1.9 billion will be invested in New York to construct these projects, and that the

economic benefits that will accrue to New York, in the form of land lease payments, local tax revenue and other benefits, could exceed $720 million over the next 20 years.

In addition, and most important to today's discussion, these renewable energy projects will reduce carbon dioxide emissions by 1.3 million tons per year, providing further certainty that New York's generators can achieve the RGGI cap.

Although New York recognizes that other states might not be able to reach the same goals we have set in our RPS program, we feel that a strong national RPS program is necessary and should be designed to recognize and accommodate existing state RPS programs. Furthermore, it is imperative that any federal RPS program does not preempt any existing state RPS programs that are more stringent than the federal program.

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Addressing the climate crisis will not be easy. We will have to work with other nations to reduce their greenhouse gas emissions at the same time they are industrializing and attempting to raise the standard of living for their people. At home, we will have to fight the influence of powerful special interests that will attempt to preserve a status quo that works for them and no one else.

But the American people did not elect us to do what is easy. They elected us to boldly confront the problems we face.

Will we take action now to maintain climate change at manageable levels and pass on a stable world to our children and grandchildren? Or will we fail to take action, and put the short-term priorities of a few special interests ahead of the priorities of future generations?

I strongly urge the federal government to make the right choice, and follow the lead of the states in developing a nationwide strategy to reduce greenhouse gas emissions. In this effort, New York State will stand with you and assist you in any way that is needed.

Thank you.