



MEMORANDUM

TO: Citizens of the 16th Congressional District of Pennsylvania
FROM: Congressman Joe Pitts
DATE: June 26, 2009
RE: My Vote Against the American Clean Energy and Security Act of 2009

Later today, the House of Representatives will vote on H.R. 2454, The American Clean Energy and Security Act of 2009. The bill is better known as “Waxman-Markey” or “The Cap and Trade Bill.” I will vote no. Protecting the environment is very important to me, but this bill will hurt too many people and will not even accomplish its stated goal. This is an important bill. If it becomes law, it will fundamentally alter the structure of our national economy. It is important that you understand why I am voting against it, and it is important that you understand what I propose to do instead.

The Politics

For decades, protecting the environment has been a surprisingly bipartisan effort. While much of the shouting has come from the left and right extremes, the real work has been done much more cooperatively. Often, political conservatives have led it. Richard Nixon created the Environmental Protection Agency. Ronald Reagan banned spray-can and refrigerant CFCs that were destroying the ozone layer. George Bush the elder signed the Clean Air Act of 1990, putting a stop to acid rain and significantly improving air quality. Each of these achievements was the result of bipartisan cooperation that produced broad-based support.

Unfortunately, the bill we are voting on today has a very different pedigree. It is the product of a Congress overwhelmingly dominated by one party, eager to rush the bill to the President while his approval ratings are still high. As the *Washington Post* editorialized this morning: “The result is a 1,201-page measure filled with political compromises, directives, subsidies and selections of winners and losers that most

members won't be able to analyze before the vote and that leaves us wondering how effective it will be."¹

I serve on the House Energy and Commerce Committee, which has primary jurisdiction over this bill. I also serve on that committee's Subcommittee on Energy and the Environment. I have watched this bill from the beginning of the process until today, and I have rarely been more disappointed in my colleagues. The very first part of the legislative process—subcommittee markup—was bypassed because too many Democrats on the subcommittee opposed the bill. That was the beginning of a process in which constructive criticism was ignored, arms were twisted, and bad decisions were made in back-room negotiations. Job losses, transfers of tax dollars overseas, and tariffs have been euphemized as “leakage, offsets, and border adjustments.” A 300 page amendment to the bill was produced at 3:00 this morning, just hours before debate on the bill began.

The authors of this bill are friends of mine, with whom I have worked closely on other issues. But they represent districts in California and Massachusetts that simply will not face the same economic hardships this bill will cause in Pennsylvania. The lobbying groups pushing passage, like all lobbying groups, have a single-issue focus and are not paid to be concerned about the economy, poverty, the public debt, or other important issues. The businesses that support the bill are generally motivated by profit or fear. As Jim Rogers, CEO of Duke Energy, said, “If you don't have a seat at the table, you'll end up on the menu.”²

This is not the way to create good legislation.

The Policy

About 81 percent of the American people believe in global warming. While not all of them believe it is primarily caused by man, that statistic is still a powerful mandate for change. Reducing pollution, cutting greenhouse gas emissions, promoting clean energy, and being more efficient in how we use our energy are important national priorities. I am committed to accomplishing them.

Hurting the Poor. The Waxman-Markey Act, however, is built on a false premise. I do not believe we have to hurt people to accomplish our goal. This bill will increase poverty, permanently damage the economy, and decrease the standard of living for every American. This is not an exaggeration. Organizations as diverse as the Brookings Institution³, The Heritage Foundation⁴, the Farm Bureau⁵, the National Black Chamber of

¹ “Waxman-Markey: Action on climate change is overdue. But is this the best we can hope for?” The Washington Post, February 26, 2009

² Strassel, Kimberly. “The Climate Change Lobby Has Regrets: Cap and trade is going to cost them.” Wall Street Journal, March 6, 2009.

³ McKibbin, Warwick, et al. Al. “Consequences of Cap and Trade.” Brookings Institution Fact Sheet. June 8, 2009. www.brookings.edu

Commerce⁶, and the Congress of Racial Equality⁷ are all saying the same thing. Roy Innis, Chairman of CORE, is especially passionate. He says, “I have seen few federal bills that would do more harm to America’s working class and low-income citizens and families.... The underlying goal of this legislation is the morally repugnant concept that constricting sources of domestic energy and raising costs is a good thing because it will force conservation by consumers. That elitist view assumes that poor, working class families have the ability to bear that social cost.”

This legislation ignores the fundamental fact that prosperity is completely dependent on the steady availability of reasonably priced energy. There is no form of economic activity that doesn’t require the consumption of energy. The more expensive energy is, the lower our standard of living. The current recession was, in part, caused by the spiking price of gasoline in commodity markets. The worse recession of the 1970s was largely caused by OPEC refusing to sell us oil. It is only a slight exaggeration to say that this bill proposes to do the same thing again; only this time the damage would be self-inflicted.

We should, however, transition to a clean energy economy. We consume most of our energy through transportation (driving our cars, for example) and through electricity generation. Hybrid, plug-in, and hydrogen fuel cell engines are the way to cleaner transportation. Nuclear power is currently the only way to cleanly produce electricity on a large scale. The Waxman-Markey bill, unfortunately, does very little to promote any of these things.

Clean Energy. H.R. 2454 establishes a national Renewable Energy Standard (RES), requiring electric utilities to get more and more of their power from renewable sources. This is a good idea. Unfortunately, the bill also makes it impossible for utilities to meet the goal. True renewables are relatively few: wind, solar, hydroelectric, and a few others. Together, they account for about seven percent of our current electricity production. Solar and wind power account for one percent. The reason is that they are expensive to build and require very large amounts of land that can only be found far from the urban areas that need the most electricity. The farther electricity has to go, the more transmission lines you have to build and more electricity is lost in transit. They also produce no electricity if the wind isn’t blowing or the sun isn’t shining. Since electricity can’t be stored on a large scale, back-up generation has to be available.

⁴ Lieberman, Ben. “The Waxman-Markey Global Warming Bill: Is the Economic Pain Justified by the Environmental Gain?” June 2, 2009. www.heritage.org

⁵ “AFBF: Vote 'No' on Climate Change Bill, 'Yes' on Peterson Amendment.” www.fb.org.

⁶ “NBCC Study Finds Waxman-Markey Reduces GDP by \$350 Billion: New study finds Waxman-Markey could cost 2.5 million U.S. jobs by 2030 and reduce earnings.” May, 2009. www.nationalbcc.org.

⁷ Letter to Congress from Roy Innis, CORE Chairman, June 24, 2009.

Wind and solar will be important parts of our energy future, but we simply can't produce all or even most of our energy from them in the near term. Nuclear power is the only large-scale technology that can make up the difference that doesn't also produce greenhouse gases. Unfortunately, the Waxman-Markey bill does almost nothing to promote it.

Cap and Trade. It is common to refer to H.R. 2454 as “the cap and trade bill.” But, in fact, “cap and trade” is only one part of a much longer and much more complicated bill. Even this part is poorly understood by most Americans. In polls, large numbers of people believe it has to do with stock market regulation or healthcare reform. It establishes a complex program, administered by the EPA, which would issue permits or “allowances” to emit greenhouse gases. Companies that must emit higher amounts of carbon dioxide could buy allowances from another company. Or they could buy “offsets.” Offsets would fund projects that would reduce greenhouse gases, such as planting trees or building wind farms. Up to half of these projects will be overseas, draining money from the U.S. economy.

The initial allocation of allowances has been highly political. Congressional leaders have brazenly used them to buy votes. Businesses and industries represented by powerful congressmen have made out better than others.

Whether from politics or simple bias, oil refiners like Pennsylvania's Sunoco will be harder hit than larger companies like Shell, BP, or ConocoPhillips. On top of paying for their own emissions, refiners will also be on the hook for carbon emissions from transportation. That adds up to 44 percent of total emissions, but refiners will receive only two percent of emissions allowances under the bill. Electric utilities, on the other hand, account for 40 percent of carbon dioxide emissions and will get 35 percent of the allowances. All companies, of course, will pass their compliance costs on to consumers.

A National Energy Tax. These and the many other provisions of the bill add up to a very high cost of compliance for businesses and families. It is impossible to calculate the total cost accurately, but estimates range from nearly \$1 trillion to over \$3 trillion. That amounts to the largest tax hike in American history.

The senior member of the Energy and Commerce Committee, John Dingell (a Democrat from Michigan), said, “Nobody in this country realizes that cap and trade is a tax. And it's a great big one.”⁸ Even President Obama said last year, “Under my plan of a cap and trade system, electricity rates would necessarily skyrocket.”⁹

“Green Jobs.” Proponents of this bill often talk about all the “green jobs” the legislation will create. While some, mostly temporary, jobs will be created, many more jobs will be

⁸ Energy and Commerce Committee, April 24, 2009.
<http://www.youtube.com/watch?v=muX-uRKOGly>

⁹ San Francisco Chronicle editorial board meeting, January, 2008.
<http://www.youtube.com/watch?v=CNSZ62xiD4M>

lost. Spain has already pursued the course charted in this bill, providing a glimpse of what our future could look like if Waxman-Markey is enacted. Spain, which not long ago had one of the fastest growing economies in Europe, now has an unemployment rate of 18.1 percent. Gabriel Calzada, a professor at Universidad Rey Juan Carlos estimates that for every “green job” Spain has created, 2.2 other jobs have been lost. He also estimates that each job needed between \$752,000 and \$800,000 in government subsidies.¹⁰

The Effect on the Environment

Ironically, all of this may have little real impact on the environment. Despite the bill’s aggressive targets, it will slow temperature increases by merely hundredths of a single degree Fahrenheit by 2050, and no more than two tenths of a degree by the end of the century, according to a climate modeling study by Chip Knappenberger of the World Climate Report.¹¹

The United States already has relatively strong environmental standards while competing with China, India, and other large emerging industrial economies that have almost no standards at all. American manufacturers already face several disadvantages in competition with China and India, and this will place them in an even worse situation. More American manufacturers will either close their doors or move overseas. China and India will simply build more factories and power plants and pollute even more.

India’s climate negotiator recently said, “To merely ward off pressure, we don’t want to announce targets which we have no intention of achieving.”¹²

A Chinese foreign ministry spokesman understated the Chinese perspective when he said, “China is still a developing country, and the present task confronting China is to develop its economy and alleviate poverty, as well as raise the living standard of its people. Given that, it is natural for China to have some increase in its emissions, so it is not possible for China in that context to accept a binding or compulsory target.”¹³

Even proponents of the bill admit it will do little to substantively reduce net greenhouse gases for many decades. The negative effect on the economy, however, will be almost immediate.

¹⁰Will, George. “Why follow a failed strategy like that employed by Spain?” *Intelligencer-Journal*, June 25, 2009.

¹¹ Knappenberger, Chip. “Climate Impacts of Waxman-Markey (the IPCC-based arithmetic of no gain).” <http://masterresource.org/?p=2355>

¹² “India: Developed countries declarations on climate change make no sense.” *People’s Daily Online*, July 2, 2008. <http://english.peopledaily.com.cn>

¹³ “U.S. Emissions Bill Is Criticized Abroad.” *Washington Post*, June 13, 2009. www.washingtonpost.com

The Effect on the Economy

An editorial in the *Wall Street Journal* yesterday explained quite clearly what the effect of the Waxman-Markey bill would be on the economy. “The whole point of cap and trade is to hike the price of electricity and gas so that Americans will use less. These higher prices will show up not just in electricity bills or at the gas station but in every manufactured good, from food to cars. Consumers will cut back on spending, which in turn will cut back on production, which results in fewer jobs created or higher unemployment.”¹⁴

America still has not recovered from the housing crisis that sparked the current recession. The National Association of Home Builders opposes Waxman-Markey because it will “impair housing affordability for lower income families, undermine green building and sustainability programs for new construction, and increase already onerous federal permitting requirements. ... [The requirements] are arbitrary, unrealistic, and will dramatically increase costs for newer, more energy-efficient homes; hurting Americans that share the biggest burden from energy costs—lower-income families.”¹⁵

This legislation literally takes the fuel out of the engine of our economy. We are currently experiencing what will likely be the second-worst recession since the Great Depression. There are encouraging signs that the end is near. Nevertheless, there couldn't be a worse time for legislation that will so dramatically slow economic activity.

When this bill went through the Energy and Commerce Committee, Republicans and moderate Democrats offered multiple amendments to keep the bill from harming the economy. Some of the simpler ones would have suspended the program if gas prices hit \$5 a gallon, if electricity prices rose more than 10 percent, or if unemployment rates hit 15 percent. All of them were defeated in mostly partly-line votes.

Members of both parties went to the House Rules Committee last night with an amazing 224 amendments to the bill, including three of mine. All but one of the 224 were disallowed.

My first amendment would have allowed states to keep their own renewable portfolio standards. The Pennsylvania General Assembly and the Pennsylvania Public Utilities Commission know better than Congress how to protect the environment without hurting the Commonwealth's economy. My second amendment would have suspended the provisions of the bill if the price of electricity rose by more than 15 percent. Anticipating that it might be blocked, I offered a second one that would suspend the provisions of the bill if the price of electricity rose by 20 percent. That one was also blocked.

¹⁴ “The Cap and Trade Fiction: Democrats off-loading economics to pass climate change bill.” *The Wall Street Journal*, June 25, 2009.

¹⁵ Letter from Joseph M. Stanton to Speaker Nancy Pelosi, June 25, 2009.

Speaker Nancy Pelosi's refusal to discuss, debate, or vote on any of these 224 amendments betrays an unwillingness to be reasonable. Surely some of those 224 amendments warranted debate and a vote. Instead, she has recklessly rushed this bill through the legislative process—seemingly unconcerned by the effect it will have on every American.

The Effect on Pennsylvania

While this bill will damage the nation's economy, some states will be harder hit than others. Pennsylvania will be among the hardest hit.

A few weeks ago, a bipartisan majority of the Pennsylvania Utilities Commission sent the Pennsylvania Congressional delegation a memo warning about the effects of the bill on the Commonwealth's economy. "We are far from convinced that the negative impacts this legislation could have on our state's economy are fully understood and appreciated. The cost estimates are staggering."¹⁶

The PUC predicted that the bill as introduced would cost the Commonwealth 66,000 jobs by 2020. That's equal to the populations of the cities of Lancaster and Coatesville, combined.

Pennsylvania is the nation's fourth largest producer of coal, distributing 75 million tons of coal each year. Fifty-eight percent of the Commonwealth's electricity is produced from coal. Simply burning coal is bad for the environment. It produces sulfur dioxide and other pollutants that cause acid rain. Those pollutants however have successfully been controlled. However, coal, like all fossil fuels, also produces carbon dioxide. The bill penalizes coal-burning power plants (and basically bars the construction of new ones). Clean coal technology and carbon storage and sequestration may get to the point where coal energy can be produced without greenhouse gas emissions. That is not possible today on a large scale, though, meaning this bill will significantly disrupt electricity production in Pennsylvania.

Large areas of Pennsylvania also rely on coal mining for jobs. Those jobs will begin to disappear if this bill becomes law.

The regional transmission organization to which the Commonwealth belongs, PJM, conducted a study that estimated nearly \$36 billion in higher energy prices in its region and rate increases of over \$400 annually for residential ratepayers if this bill becomes law.

We should keep in mind that Pennsylvanians are already facing sharp increases in utility rates. In the decade since electricity deregulation, there have been state-imposed rate caps on electricity prices. Those caps are expiring, and the market will set rates

¹⁶ Memorandum to PA Congressional Delegation from PA PUC Commissioners Tyrone Christy, Kim Pizzingrilli, and Robert Powelson, May 7, 2009

thereafter.¹⁷ Utilities are presently predicting a 30 percent increase in electricity prices. The Waxman-Markey bill will further increase rates for consumers well beyond that level.

Agriculture is still Pennsylvania's top industry, and farmers will be hit hard. As my colleague from north-central Pennsylvania, Congressman Glenn Thompson, said, "This proposal, if enacted, will kill the very segment of the economy best equipped to get this economy back on track [small businesses and farms]. And with agriculture being the largest contributor to Pennsylvania's economy, farmers will not only have to shell out additional dollars for fertilizer, fuel, and electricity, they will also suffer a competitive disadvantage when competing in the global economy."¹⁸

The Farm Bureau wrote to me this week to say, "Economic analysis by the Farm Bureau shows that—at a minimum—net farm income will decline by \$5 billion annually by the year 2020" as a result of Waxman-Markey.¹⁹

The Effect on the 16th Congressional District

While Chester, Berks, and Lancaster counties do not produce coal the way much of the rest of the state does, we get quite a bit of our electricity from coal. We may not have coal-mining jobs to lose, but we will face all of the other negative effects of this bill.

The provisions of this bill reach far beyond manufacturing and agriculture. Dave Hall of Chatham Financial, a financial services company in Kennett Square, Chester County, reports that over 100 clients have called them alarmed by provisions of the bill that would make it harder for them to stay profitable.

Jim Adams, CEO of Lancaster County's Wenger Feeds says, "At Wenger Feeds, we use a significant amount of energy for animal feed production to heat ingredients, grind grains, mix feed, further process feed for efficient digestion, and deliver feed to family farms to produce meat, milk, and eggs. Energy is already expensive and in our continuous effort to be more sustainable, we are always looking for ways to reduce energy costs. The proposed cap and trade legislation in Washington, on top of Pennsylvania's electricity cap removal in January 2010, will set us back decades in our quest to lower the energy cost per ton of feed. Utility increases to manufacturers do not stay at the manufacturer. In our case, this will transfer to the producers of the food products and then increase the food bill for every family. People need to eat."

Rick Mallaris of KB Alloys in Reading says, "The Cap and Trade bill currently under consideration by the House of Representatives will be a job destroyer in the aluminum industry. KB Alloys is dependent upon a healthy domestic aluminum industry for its

¹⁷ PPL rate caps expire December 31, 2009. PECO rate caps expire December 31, 2010.

¹⁸ Ibid.

¹⁹ Letter from Bob Stallman, President, American Farm Bureau Federation, June 25, 2009.

survival. The primary competition for my customers and for my company is now coming from Asia, particularly China. They have many subsidies already that have moved away from free and honest trade. This bill will add an enormous cost burden to our domestic industry and to KB Alloys that will not be matched in China. The Chinese producers will take over the production of much of the aluminum bearing products that we use. The irony is that the world's pollution level will increase significantly as more efficient plants like ours in the US are replaced by highly polluting factories in China.”

There are other ways this bill could affect us. Its unrealistic demands for wind and solar power generation, virtual silence on nuclear, and virtual ban on coal power may mean a sharp increase in demand for natural gas. Chester and Lancaster counties are already experiencing controversial pipeline expansion projects. This bill could result in the need for even more pipeline expansions. New high-capacity electric transmission lines would also need to be sited somewhere to accommodate new generation sources. Ironically, areas like ours that have successfully preserved open space near population centers are likely targets for these new transmission lines.

A Better Way to Help the Environment

Given my strong criticisms of the bill, it's fair to ask what I would do instead.

The economics of this are simple: affordable energy is critical to prosperity. The right way to protect the environment is to make clean energy cheaper by encouraging proven sources of clean energy like wind, solar, and nuclear along with the development of cutting-edge technologies like plug-in hybrid cars and hydrogen fuel cells.

End the Partisanship. To paraphrase the President, neither party has a monopoly on good ideas. Congress needs to act like we believe that and work together to produce legislation that can get broad bipartisan support. I talk to Democrats every day in Congress, and I know that such a bill is possible. Unfortunately, the primary proponents of this legislation (Speaker Pelosi, Chairman Waxman, and Ed Markey) are from San Francisco, Beverly Hills, and Boston—places that don't speak for the mainstream of America. I know that many Democrats are just as frustrated as I am with the hard ideological bent of this legislation.

Use Carrots Instead of Sticks. H.R. 2454 uses punishment, taxation, and bureaucracy to accomplish its goals. Instead, we should be using encouragement, innovation, and entrepreneurship. The federal government has spent billions in recent years researching fuel cell technology, nuclear safety, and efficiency technologies all of which could contribute to cleaner production of energy. We should be taking advantage of that. Punishing businesses, moving jobs to China, and taking people's jobs away are not the right ways to produce change.

“All of the Above.” As gas price volatility has shown us, even our current energy supply is too unsteady to ensure prosperity. We need more energy, not less. While clean sources of energy should get strong support, we need to rely on all sources until the day

comes when we can depend primarily on clean energy. Pennsylvania's coal and natural gas, along with Alaska's oil, must be a part of our near-future energy solution. Not doing this will mean lower paying jobs, shorter retirements, and increased poverty.

More Nuclear. Many of us remain nervous about nuclear power. At the same time, nuclear power is heavily regulated and has a strong safety record. Nuclear power also produces no greenhouse gases, making it the only viable and affordable large-scale producer of electricity that can meet the goal of reducing or eliminating greenhouse gases. The United States does not currently reprocess nuclear waste—but if we did, it could be reused and reduced in volume by over 95 percent, all but eliminating one of the primary objections to nuclear power.

Even environmental activists are conceding that climate change can't be stopped without relying on nuclear power. Yet, when this bill was introduced, it contained 50 pages on light bulbs and only two sentences on nuclear power.

It isn't often that I promote France as a model, but France presently generates over 85 percent of its electricity from nuclear power plants. The United States produces only 20 percent that way. If we are serious about reducing greenhouse gases, nuclear is the way to do it. I am working on legislation to streamline the process for constructing new nuclear reactors when they are constructed on the sites of existing plants.

More Incentives for Consumers and Businesses. Businesses and taxpayers are always looking for ways to reduce their taxes. Many of us conserve energy because we believe it is the right thing to do. Tax incentives will motivate the rest of America to do the same thing. We should extend tax credits for alternative fuel vehicles, hydrogen fuel refueling properties, and for plug-in vehicles. We should invest in advanced vehicle battery research. We should give homeowners incentives to buy energy efficient appliances and homes. We should make the renewable energy production tax credit permanent. There are many other incentives that should be created, renewed, and made permanent.

Demand Action from China and India. China is building a new coal-fired power plant every two weeks. A Chinese factory pollutes three times as much as an American factory. Very soon, China will be the world's biggest polluter. India is not far behind, nor are a number of other developing countries. It is hard to tell someone who is currently washing her laundry in a stream not to buy a washing machine if there is electricity and she can afford one. Nations with populations of over a billion people each are going to consume massive amounts of energy as they develop, making America's consumption levels look modest by comparison. China, India, Brazil, and other countries must join the United States in investing in cleaner technologies as their economies grow.

Pass the American Energy Act. The American Energy Act, H.R. 2856, is a Republican alternative to the Waxman-Markey bill which would lead America to a future with a reliable supply of clean energy produced at home. It would free us from dependence on fossil fuels imported from unstable places in the Middle East and elsewhere. It would encourage the development of alternative technologies. And it would help, rather than

hurt, the economy. I contributed to it's drafting, authoring provisions that would turn closed military bases into refineries and streamlining the permitting of new nuclear reactors.

Conclusion

This bill was ill-conceived, too political, and rushed through the legislative process. Congress can, and should, do better. It will not be law unless the Senate also passes it, giving America time to urge Congress to protect our environment a better way. I will continue to oppose this bill, but I will also continue promoting better alternatives. I hope you'll join me in finding the best possible ways to leave the Earth to the next generation in better shape than we inherited. As the bumper-sticker says, "Good planets are hard to come by."