



Principles for Global Climate Change Legislation

Discussions on global climate change are occurring in many policy forums, and a number of legislative initiatives to regulate greenhouse gas emissions have been proposed at the national, regional, and state levels. In light of the growing political and scientific consensus that climate change poses significant risks to our economies, societies, and ecosystems, PNUCC has established a task force to examine how climate change regulations would impact Northwest electric utilities and their customers. The task force has also been charged to develop these consensus principles to inform policymakers of the perspectives of Northwest utilities and their customers.

The Northwest has a long history of climate-friendly generation, energy efficiency efforts and conservation programs. As a result, energy generation in the Northwest produces less CO₂ per megawatt-hour than any other region in the United States. However, the region's existing hydroelectric capacity is already stretched thin, and will not be adequate to meet future load growth, which is expected to be substantially higher than the national average. This puts the Northwest in a double-bind relative to the rest of the country: it must find **more** low-emission generation to serve load growth, while having **fewer** opportunities to reduce emissions from its existing generation facilities.

Given that the Northwest economy is heavily dependent on exports, any climate policies must also take into account their impact on international trade. Furthermore, the energy system in the Northwest cannot be viewed in isolation due to unique ties between the Northwest and western Canada for the purchase, sale and generation of power.

Finally, no other major source of power will be as directly impacted by the consequences of global climate change (as they affect the amount and distribution of water) as hydroelectric power, and no other region of the country is as dependent as the Northwest on hydropower.

While the PNUCC Global Climate Change Task Force has not yet addressed a preferred method for greenhouse gas regulation (e.g. carbon tax or cap and trade program), it supports the following principles to guide climate change discussion and legislation:

1. **Greenhouse gas regulation needs to include all sectors of the economy.** Effective climate change mitigation can only be achieved if all sectors of the economy and all sources of greenhouse gas emissions are addressed. Any proposed regulatory scheme should address emissions of all sectors of the economy at the same time. The utility sector's responsibility should be in proportion to its emissions of greenhouse gases.

2. **The point of regulation for greenhouse gases should be upstream where fossil fuels enter the economy, such as at the mine-mouth or well-head.** Upstream regulation spreads the cost of reducing greenhouse gases across all sectors of the economy.
3. **Federal legislation is strongly preferred over state or regional approaches to addressing greenhouse emissions.** The magnitude of the challenge requires that engagement on the issue be as broad as possible. Emissions regulation on the national level will be more effective than isolated state or regional programs and will avoid state-specific disparities that could serve to impose heavier economic burdens on a particular geographic area. If caps are imposed, national legislation will produce more efficiency in greenhouse gas emission markets and will send a consistent price signal. A national market will also have a more equitable impact on industries across the nation, provide incentives for technological collaboration, and streamline administrative processes. Furthermore, a national program will facilitate cooperation and coordination with comparable programs in other countries, encouraging still more cost effective solutions for both the United States and others. If, however, state or regional regulation precedes federal action, the same principles contained in this paper should be applied to the drafting of those regulations. It is also critically important that any state or regional regulations sunset upon implementation of the subsequent federal plan.
4. **Emissions legislation should credit utilities for their past accomplishments in renewables, energy efficiency, conservation, and greenhouse gas mitigation programs.** Any emissions regulation scheme should credit Northwest utilities for past actions and investments in climate-friendly technologies. Otherwise, the region would effectively be penalized for its aggressive and effective actions taken to date.
5. **Legislation should acknowledge the differing growth rates among regions and not unduly burden high growth regions.** The growth that the Northwest is experiencing impacts all sectors of its economy and should be considered when formulating a system for regulating greenhouse gas emissions. Any climate change policy should recognize future load growth in fast-growing regions, such as the Northwest.
6. **Greenhouse gas legislation should support the development of new technologies.** The development of new technologies will have profound benefits in the United States as well as other countries and provides the best hope for stopping and reversing the growth of greenhouse gas emissions world-wide. Government revenue generated by greenhouse gas legislation should be dedicated to the support and development of renewable energy, energy efficiency, and zero or low emission fossil fuel technologies. The benefits of such federal investments should be equally accessible to both consumer-owned and investor-owned utilities.

7. **Greenhouse gas legislation should help remove legal and institutional barriers to the commercialization of new emission control technologies and the greater use of zero-emission generation.** For example, new carbon capture and storage (CCS) technologies raise new legal and regulatory risks associated with siting and permitting projects, CO₂ transportation, injection, and storage. Uniform regulatory standards and processes should be adopted to expeditiously address these issues. Further, current law should be revised to facilitate the greater utilization of existing and new renewable resources, such as hydropower, geothermal, wind, wave, and tidal, while still ensuring that environmental and natural resources are protected.
8. **Any climate change strategy should recognize the value of energy conservation and fuel diversity.** The availability of conservation and diverse fuel options is needed to ensure the reliability, security, and economy of energy generation.
9. **Investments in energy efficiency and conservation should be encouraged as a viable approach to reducing greenhouse gas emissions.** The Northwest has a long history of successfully capturing and investing in energy savings through conservation and demand-side management. This same philosophy should be applied nationally as we look for ways to reduce our greenhouse gas emissions. Any incentives aimed at encouraging conservation, energy efficiency, and other carbon mitigation or low carbon technologies must be equally available to investor and consumer owned utilities.
10. **Legislative emissions reduction timelines must be aggressive but also accommodate the practical constraints on the speed with which new technology can be developed and deployed.** Rigorous timelines and reduction goals are needed to encourage changes in behavior and technological innovation, and help the country achieve appropriate greenhouse gas reduction goals. However, they should also be based on realistic expectations of industry's ability to develop and deploy emission reduction technology.
11. **Legislation should include a safety valve, set at a level to protect the economy while still encouraging meaningful actions to reduce greenhouse gases.** There are economic consequences to inaction regarding climate change. It is therefore important to balance the cost of inaction with the cost of reducing emissions, such that neither has unnecessarily negative economic consequences. For the electricity sector, it is critical to ensure that reliable sources of energy remain affordable to utility customers.
12. **Any market established as part of greenhouse gas regulation must be carefully designed and subject to strong federal oversight, including safeguards preventing market manipulation.** Any new trading market should be thoroughly tested to identify possible market flaws that could lead to inefficiencies, excessive price volatility, or other unintended consequences. This testing should also assure equity among market participants, large and small.