THE EVANGELICAL CLIMATE INITIATIVE

Briefing on the Lieberman-Warner Climate Security Act (S. 3036)

The Evangelical Climate Initiative (ECI) is a group of senior evangelical leaders who have made the following four claims: (1) human-induced climate change is real; (2) the impacts will hit the poor the hardest; (3) our Christian moral convictions demand our response; and (4) all of us have a role to play, including the government.

On the latter, our ECI statement says: "In the United States, the most important immediate step that can be taken at the federal level is to pass and implement national legislation requiring sufficient economy-wide reductions in carbon dioxide emissions through cost-effective, market-based mechanisms such as a cap-and-trade program." (For more information on the ECI, go to: www.christiansandclimate.org.)

Based on our analysis the Lieberman-Warner Climate Security Act (CSA) meets these requirements.

Why Federal Legislation is Needed

Climate change is a global problem requiring all the nations of the world, especially the world's largest polluters, to cooperate in solving the problem. The United States, the richest nation on earth, has historically been the largest polluter. For the world to solve this problem the US will have to lead by example. Only then will we have the moral authority to urge other countries like China to also join in seriously addressing climate change in a way that makes a difference.

We have tried voluntary measures since 1992 and they have not been nearly enough. Some states and local governments are acting, but businesses need "rules for the road" that are consistent across the country. . Thus, for the US to play our leadership role will require federal legislation like the Lieberman-Warner Climate Security Act (CSA).

Below we outline how the CSA achieves the three basic goals our ECI statement and Policy Principles calls for: (1) solve the problem; (2) do so in a cost-effective manner, and; (3) protect the poor here and abroad by helping them adapt to the consequences and avoid unfair economic costs associated with the solutions.

Goal #1 – Solve The Problem

The ECI calls for "sufficient economy-wide reductions" in global warming pollution. The CSA achieves this.

Overcoming climate change will require us to transition away from our current heavy reliance on the burning of fossil fuels to power our vehicles and create electricity. This will be a major challenge, but one our country is well positioned to meet. (In so doing, we will also clean up our air and water, reduce our dependence on foreign oil, and create good-paying sustainable jobs.)

There are two basic ways the CSA helps our country achieve this most basic goal:

(1) It requires our country to reduce our global warming pollution starting in 2012 so that by 2050 we have reduced it 71% below current levels. It does so gradually, allowing our economy to adjust, starting at 4% below current levels in 2012, 18% reduction by 2020, etc. The main thing needed from such targets and timetables is to send the right price signals to our economy so that businesses and consumers adjust their investments and purchases away from products and services that use too much fossil fuel to those that use less or none at all. All indications are that the CSA's requirements will achieve this.

(2) It provides funds to pave the way for the necessary transitions. For example, over the life of the bill it provides: $575 billion for research, development, and deployment of the products, buildings, and manufacturing approaches that will be needed to transition the US to a clean and efficient energy future; $136 billion to improve the efficiency of homes and buildings; $171 billion for mass transit improvements; $190 billion to help transition and train displaced workers; $307 billion to help coal-burning power companies transition to new sources, and; $213 billion to industries that currently need a great deal of carbon-intensive energy to produce their products (e.g. cement manufacturers, the aluminum industry). All of this is paid for through the sale of global warming pollution permits.

<u>Goal #2 – Do So Cost-Effectively</u>

To achieve our second goal of cost-effectiveness, the CSA does so by utilizing a market-based system known as "cap-and-trade," first pioneered in a highly successful way by the 1990 Clean Air Act. The CSA caps (or limits) global warming pollution at a certain amount each year and creates tradeable emission permits or credits (i.e. one ton of CO2) that emitters can buy and sell in a carbon market. Those who find it easier to reduce their pollution can sell (or "trade") some of their credits to those who find it harder. This promotes reducing global warming pollution at the lowest cost.

When Congress wants to know how much a bill like the CSA is going to cost and what it will achieve it asks two agencies to do studies: the Environmental Protection Agency (EPA), and; the Energy Information Administration (EIA), an independent statistical and analysis agency within the Department of Energy. The EPA study projects that our economy would grow by 80 percent from 2012 to 2030, which is only one percent less than the projected growth in the absence of this bill. Annual household consumption would be two percent less. The EIA study found similar results and projects the US would lose 0.2% of GDP from 2012-2030, and that energy costs for consumers would rise 18%.

We must keep three things in mind when thinking about the cost projections from these studies. First, these analyses do not include the health benefits derived from reducing the pollution, which could be considerable. For example, in 2003 the Bush Administration did a retrospective analysis of the 1990 Clean Air Act and found that benefits exceeded costs by 12 times, in large part due to the health benefits. But the cost projections before the Act was passed did not reflect this. So costs in one area can be made up for by benefits in another.

Second, these studies do not tell us how much it would cost if we don't act. The only study thus far to look at this was one commissioned by the British government that looked at world-wide economic impacts (called the Stern report). It found that the world's GDP could be reduced anywhere from 5-20% due to the consequences of unchecked climate change. The federal government recently released in

May 2008 a major study on impacts in the US, highlighting significant harmful changes that are occurring and will occur. But the study did not include economic calculations of these impacts.

Third, the EPA and EIA studies on costs do not include how much funding is in the CSA to help consumers and businesses with the costs, which are considerable (see Goal 3 and point #2 of Goal 1).

A final thought on cost-effectiveness: solving problems costs less the sooner one gets started. Having to implement a crash program to address climate change will be much more expensive because we delayed. The CSA allows our society to gradually adjust to the changes necessary, but only if passed soon.

Goal #3 – Protect the Poor

We must meet the goal of protecting the poor in three ways, and the ECI staff and our colleagues from other religious communities have worked with the Senators and their staffs to achieve this.

First, the most important way we must protect the poor here and abroad is by solving the problem (Goal 1) and thereby reducing the consequences for billions of people (see ECI's fact sheet on impacts on the poor). The CSA allows the US to play our leadership role.

Second, we must help the poor around the world adapt to the impacts or consequences of climate change. The latest version of the CSA doubles the funding to help the poor in the most vulnerable developing countries. Funds would start in 2013 at approximately $1.5 billion per year and grow over time. All told there would be $342 billion to help the poor abroad adapt.

Third, we must also solve the problem in a way that protects the poor in the US from any harmful economic impacts that could arise from federal legislation. A recent Congressional Budget Office (CBO) analysis concluded that if done incorrectly, climate policies could have harmful economic consequences for low-income and working families – indeed, that they could pay more as a percentage of their budgets than others (called regressivity). However, if done correctly, such consequences could be minimized or eliminated.

While further analysis is needed, the following funds over the life of the CSA do help our country meet the goal of protecting the poor here in the US from economic impacts of climate policies:

- $911 billion to help consumers with utility cost increases in the form of energy rebates, with at least 30% targeted to low-income consumers;
- an additional $254 billion for those states that are especially reliant on coal-powered electricity;
- $800 billion in tax cuts to help consumers with non-utility cost increases, especially low-income and working families.