

The New York Times



July 16, 2010

Clock Winding Down on Senate's Carbon Cap Efforts

By JOSH VOORHEES AND ROBIN BRAVENDER of [ClimateWire](#)

Senate Democrats hoping to negotiate a scaled-down carbon cap on power plants are running out of time to make that happen.

At the most, they have two weeks to convince Majority Leader Harry Reid (D-Nev.) that they have the 60 votes needed to pass the bill, something Reid has said is a prerequisite before he includes it in the broader energy bill expected on the floor this month.

Sen. John Kerry (D-Mass.), who has emerged as the leading negotiator behind the utility-only effort, conceded as much yesterday. "The schedule is not our friend," he told reporters.

Making matters worse for Kerry and his like-minded colleagues is that the same moderate senators that they would need to win over are growing increasingly skeptical that such a deal can happen in time.

"Everybody knows it's not going anywhere," said Sen. Judd Gregg (R-N.H.), one of a handful of Republicans that Democrats have courted to join them in their climate efforts. Gregg said that the Senate ought to shift its focus to an energy-only bill immediately.

"I mean, this is a political exercise not a substantive exercise," Gregg said of ongoing efforts to craft a bill that would cap greenhouse gas emissions. "It's Harry Reid trying to placate a couple of constituencies."

With the notable exception of Sen. Olympia Snowe (R-Maine.) -- who remains open to a utility-only approach but has not committed to voting for one -- many other moderate Republicans appear to share Gregg's doubts.

Sen. Lindsey Graham (R-S.C.), who has said he could support a utility-only cap but likely not this year, believes that regardless of whether Kerry can strike a deal, a utility-only plan would still be branded by Republican leadership as a tax increase.

"This is a pretty tough environment to get people to take difficult votes because no matter what you do on the climate side, it's going to be called cap and tax," Graham said.

Just as troublesome for backers of a cap on power plant carbon dioxide emission is skepticism from Democrats. A number of moderate Democrats have stopped short of saying they would not vote for a bill with a utility-only provision, instead publicly doubting that a deal can be struck.

"I don't think there is a whip count at this point to evaluate what is achievable or what can or cannot be done

on climate change, but I think it's very hard to see 60 votes on the floor of the Senate," Sen. Byron Dorgan (D-N.D.) said yesterday. "I'd imagine we'll know that in short order."

Sen. Jay Rockefeller (D-W.Va.) sounded a similar note. "As I say, I'm skeptical with a cap-and-trade utilities-only bill," he said. "I don't think it will get the votes."

Finance Chairman Max Baucus (D-Mont.), who is helping Reid craft some of the energy tax provisions expected to be included in the bill and is seen by many as more likely to vote for a carbon cap than Dorgan and Rockefeller, said that the odds were against the utility-only effort.

"I'm not going to handicap the different provisions, but I think there is a higher probability that we'll have energy legislation pass," Baucus said.

Despite the skepticism, plenty of Democrats warn not to doubt Reid, who has found the votes needed to pass controversial and heavily partisan efforts like health care reform and financial regulation reform.

"He's pulled a lot of rabbits out of the hat this year," Sen. Carl Levin (D-Mich.) said. "I don't know if the public sees all those rabbits, but I think the folks working around here see all these accomplishments, and I don't discount Senator Reid's ability -- the majority leader's ability -- to get this done, because I think anyone who underestimates his ability to get things done is ignoring the history."

Meanwhile, Kerry is warning that if Reid abandons all efforts to price carbon, he runs the risk of losing his caucus' more liberal members who have long dreamed of a carbon cap.

"There are a lot of members in the caucus that have told me that they are unwilling to support that," Kerry said. "I've always said that an energy-only approach is not a given at all."

On a similar note, Graham cautioned that if Democrats are forced to proceed without any form of a carbon cap, they would need to be careful not to lose all their bargaining chips if they plan to take another swing at it in the future.

"The one thing I would be concerned about is that you don't want to give away some of the goodies, you know, some of the carrots," Graham said.

Kerry and Sen. Joe Lieberman (I-Conn.) had originally pushed for a larger carbon cap that would cover multiple sectors of the economy. Yesterday, the pair said that efforts to scale back their climate bill has proven as difficult, if not more so, than their original proposal.

"Whenever you start going narrower, in fact it gets more complicated, not less, and it's why comprehensive is a so much easier and effective way to approach this," Kerry said.

"We worked very hard to get everybody on common ground -- that is to say, particularly industry, particularly the utility industry and environmentalists," Lieberman said. "And now that we're doing a utility-only bill, it reopens the negotiations, although there's a lot that we did before that we can build on."

Manufacturing

Among the hurdles that still need to be worked out in a utility-only bill is how to address the manufacturing sector.

Proponents say it makes sense for utilities to go first as the industry has long been subject to market-based rules, and companies are looking to make significant new investments over the next several decades. But energy-intensive manufacturers say that approach could create problems for them, even if they are left out of the cap.

Representatives from steel and chemical trade associations have recently announced their opposition to such a plan, arguing that it will push up their electricity prices and leave them at a competitive disadvantage compared with foreign manufacturers.

"By putting a price on utility greenhouse gas emissions, it will increase costs to energy-intensive trade-exposed manufacturers such as the steel industry, undermining our ability to compete in global markets and causing the leakage of jobs and emissions to unregulated jurisdictions," American Iron and Steel Institute President Thomas Gibson said yesterday in a [letter \(pdf\)](#) to Reid. "Indeed, the expected transfer of electric utility compliance costs to industrial customers would likely be just as substantial as under an economy wide cap-and-trade program."

American Chemistry Council President Cal Dooley said yesterday that a utility-only cap would harm the global competitiveness of the U.S. chemical industry and stall economic recovery.

Provisions aimed at reducing costs for manufacturers are seen as key to winning moderate Midwestern Democrats' support for an energy and climate package.

"Everybody in the caucus from the leader to Kerry and Lieberman know that it's got to have a manufacturing component to get the votes of several of us," said Sen. Sherrod Brown (D-Ohio). Brown said he has been working with Kerry and Lieberman about manufacturing provisions in the utility-only draft they have authored.

Levin also stressed the importance of addressing manufacturing in any legislation that deals with the power sector. "They're related," he said. "I hope the people who are trying to put together the package recognize the importance of the relationship."

A draft utility-only bill from Sen. Jeff Bingaman (D-N.M.) would allow manufacturers to opt in to the carbon pricing system set up for the power sector.

Levin said he could be open to such an approach but has not seen the Bingaman draft. "I'd like to see whether there's a practical way to opt in," he said. "I just haven't seen the proposal."

Copyright 2010 E&E Publishing. All Rights Reserved.

*For more news on energy and the environment, visit www.climatewire.net.
ClimateWire is published by Environment & Energy Publishing. [Read More »](#)*

[Privacy Policy](#) | [Terms of Service](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)
