

Board of Directors

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STATEMENT BY ROBERT GREENSTEIN,
EXECUTIVE DIRECTOR,
ON THE LIEBERMAN-WARNER CLIMATE CHANGE BILL

We are encouraged to see two leaders on climate change taking this important step to reduce greenhouse gas emissions. The bill from Senators Lieberman and Warner is a significant step forward in climate-change policy. It falls short, however, of meeting the crucial goal of protecting the lowest-income Americans from the effects of higher energy prices.

While Senators Lieberman and Warner clearly intend to provide assistance to low-income consumers who face higher energy prices, the bill lacks an adequate mechanism to do so. The bill sets aside some resources for this purpose. But it relies on a hodgepodge of approaches including utility company subsidies, funds to states without clear direction on how to use them, and a small program (LIHEAP) that reaches only a small number of poor households. Instead, Congress should provide a climate change rebate (using established delivery mechanisms) along with targeted tax relief through the Earned Income Tax Credit. That would protect millions of low-income Americans from higher energy costs, avoid missing large segments of the low-income population, and avoid substantial administrative costs.

The bill falls short in another important regard. It gives away at least 40 percent of the pollution permits to energy companies in the early years, rather than using them as a resource to address public needs stemming from climate change policies. The Congressional Budget Office estimates that affected companies need less than 15 percent of the permits to compensate the shareholders, so permit giveaways that exceed that level represent billions of dollars of what CBO calls "windfall profits" to the companies.

As the bill moves forward, we strongly encourage the Senate to remedy these flaws in this much-needed legislation, so that it avoids both increases in poverty and hardship and unnecessary windfall profits for large energy corporations.

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