



STATEMENT ON CLIMATE CHANGE POLICY

PRINCIPLES STATEMENT

The Council seeks a program that:

1. **Is national in scope.** A federal program is preferable to the current patchwork of state and regional programs, both regulatory and voluntary. Such a program would enlarge the pool of participants, thereby lowering compliance costs, creating stronger price signals for clean energy options and offering greater compliance flexibility while advancing national security objectives.
2. **Expands alternative energy resources from clean energy and energy efficiency technologies.** Such a program should increase energy supply from sources such as on-site combined heat and power and renewable energy. It also should increase energy efficiency to mitigate rising energy demand and fuel price volatility.
3. **Recognizes improvements in energy efficiency.** A federal program should reward energy efficiency in existing and replacement energy infrastructure to fully maximize market-driven incentives for energy and environmental improvements.
4. **Incorporates a mandatory, economy-wide and market-based approach.** A federal program should include a cap-and-trade or project-based approach that efficiently achieves both energy and climate objectives. These types of approaches provide long-term signals to the economy, versus a command and control approach, and also offer compliance flexibility.
5. **Establishes near-term and long-term targets to signal the marketplace and drive technology investment and innovation.**
6. **Establishes linkages with international programs.** The federal program should establish international linkages at the outset of the program. These linkages should demonstrate comparability, and should be verifiable and transparent. The program should permit trading with compatible cap-and-trade programs and project-based initiatives in other parts of the world.

ABOUT THE COUNCIL

The Business Council for Sustainable Energy is a broad-based coalition of energy efficiency, natural gas and renewable energy industries that advocate energy and environmental policies that promote markets for clean, efficient and sustainable energy products and services. The Council's coalition includes power developers, equipment manufacturers, independent generators, green power marketers and retailers, gas and electric utilities, as well as several of the primary trade associations in these sectors.

Our members support and encourage voluntary measures to reduce greenhouse gas emissions. Nevertheless, with state and regional efforts mandating the reduction of greenhouse gas emissions, the Council supports a national climate change program that creates market drivers for clean energy technology innovation, economic efficiency and enhanced energy security.



INITIAL RECOMMENDATIONS

The following is an elaboration of the market-based approaches to achieve the Council's principles. The Council is pleased to provide additional information on any or all of these elements.

- **Promoting clean generation and energy efficiency through allocation policy:** The Council supports an updating, output-based allowance allocation policy that regulates emissions based on useful output (i.e., efficiency and the carbon profile of electric generation), rather than on heat input. This method would help reduce carbon intensity and energy demand, thereby rewarding pollution prevention instead of fuel consumption. Output-based allocation also lowers compliance costs by promoting lower-emitting and clean generation.
- **Expanding alternative energy technologies:** The Council supports regulatory flexibility and market drivers that would allow maximum inclusion of alternative energy technologies in the nation's energy infrastructure. This includes demand-side and supply-side rates, rate decoupling, power purchase contracts between utilities and on-site generators, direct allocation to generators of clean generation, a level playing field for new market entrants and set-aside provisions to directly support clean energy technologies.
- **Equitable treatment for industries:** Allowances should be provided to industries that are disproportionately affected due to the federal program, but should also be limited to putting them on a level playing field to meet the energy and environmental objectives.
- **Credit for early action:** The Council believes early investments in greenhouse gas reduction should be recognized in a national greenhouse gas regulatory system. Rewarding emission reductions that occur in advance of the enactment of the program has the potential to generate economic and environmental benefits, as well as speed clean energy technology deployment. In addition, companies making voluntary early reductions want assurances that they won't be penalized later for reducing greenhouse gas emissions in advance of a regulatory program. This can be achieved through baseline protection (under a historic emissions allocation) and/or an early reduction credit program.
- **Compliance flexibility:** The Council supports establishing an emissions offset program to provide incentives for and added financial value to project activities that reduce greenhouse gas emissions outside regulated sectors and activities. This in turn widens the scope of environmental benefits and lowers the overall costs of compliance for society as a whole. Emissions offsets must be real, additional, permanent, independently verifiable, enforceable, measurable and transparent.

RATIONALE

The Council's views on climate change are founded on the principle of sustainable development: economic development that meets the needs of present and future generations. Its members recognize that economic development and environmental protection are compatible goals and that clean energy and energy efficient technologies provide solutions to difficult environmental problems, including climate change.

- **Broad-based coalition:** Given the Council's broad membership base, the Council is an organizing platform for a wide and growing spectrum of industry interests to shape federal climate change policy. It is the only organization of its kind that attracts support from a broad set of energy businesses, equipment manufacturers and energy users.
- **Activities:** The Council has years of demonstrated leadership with policy-makers at all levels. The Council is frequently called to testify on Capitol Hill at committee hearings. It also is relied upon for research, analysis and education. In addition, it conducts briefings, lobbies Congress, and supports/facilitates policy development.
- **Key player in energy and climate change arena:** The Council's standing on climate change issues domestically — federal and state — and internationally is demonstrated, for example, through its accomplishments with its Northeast effort (RGGI) and the development of the market-based mechanisms under the international climate change regime. The Council has been instrumental in keeping renewable energy and other forms of clean generation, as well as energy efficiency, on the table to receive allowance value under climate change cap-and-trade programs.
 - The Council is actively working with key states on an output-based allocation policy and the use of set-aside resources to increase energy efficiency and clean generation.
 - The Council served on the power sector Advisory Committee for the California Climate Action Registry that developed the rules for energy company reporting under the registry.
 - Internationally, the Council drafted provisions of the Kyoto Protocol's Clean Development Mechanism to streamline approval of small-scale renewable energy and energy efficiency projects.
 - The Council is the recognized clean energy industry voice under the United Nations energy, climate change and sustainability bodies.
 - The Council helped to establish sister organizations in the UK, EU and Australia — representing more than 750 companies and trade associations worldwide.
- **Environmental ties:** The Council has links to the environmental community through its Environmental Advisory Committee. The Council facilitates early and constructive dialogue between the business and environmental communities to build the political base needed for a national climate change program that will be economically viable.





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