



Preliminary Labor Positions on Climate Change Legislation

We appreciate the opportunity to comment on the design of a new federal climate change policy. Unions have participated in all major climate legislative developments since the 1997 Kyoto Protocol, and were involved in the drafting of the CCS technology and other provisions of the 2009 Waxman-Markey climate bill. Labor also supported the bipartisan Bingaman-Specter climate bill introduced in the Senate in 2007.

We have consistently advocated for a comprehensive, economy-wide legislative solution to climate change because the Clean Air Act is not an appropriate vehicle for addressing the multi-sector emission reductions or aggressive technology incentives needed to meet climate targets. Legislation also is essential for crafting appropriate worker adjustment assistance programs to address job displacement impacting families and communities.

We are concerned about the adverse job implications of potential carbon tax legislation. Carbon taxes create inherent uncertainties about market responses, differential sectoral impacts, and the lack of assurance that advanced emission mitigation technologies such as carbon capture, utilization and storage (CCUS) could be deployed in time to avert massive dislocation of workers in the petroleum, coal, rail, and mining sectors. Any carbon tax legislation necessarily must include significant revenue set-asides for worker adjustment and community redevelopment assistance. More than 1.5 million workers are directly employed in vulnerable fossil fuel-related industries, with annual wages and benefits of some \$130 Billion. Many more indirect jobs are in support industries and communities.

We also have grave concerns about unrealistic solutions such as those advocated in the "Green New Deal" and by proponents of the "Keep It in the Ground" ideology. Any legislation addressing the complex issues of carbon emission reduction must recognize and address: a) the tremendous impact such legislation will have on millions of fossil fuel-reliant jobs across

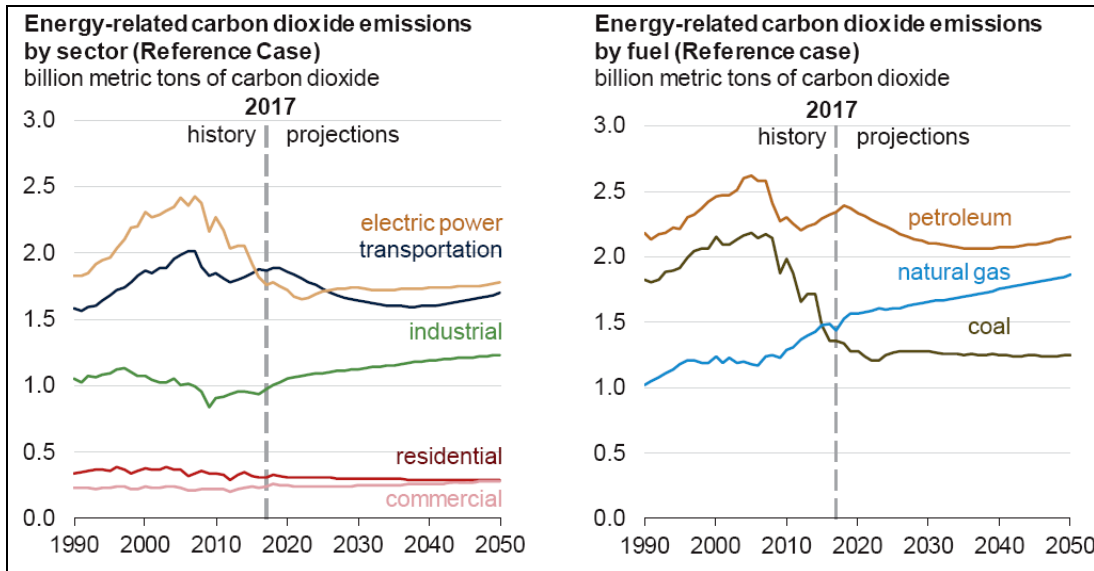
America; and b) the costs and full recompense required to mitigate the effects of the loss of those jobs on workers, families and communities.

Principles for Carbon Legislation

We view an emission allowance trading program such as that developed in the 2009 Waxman-Markey bill as a good starting point for discussions about future climate legislation. Improving upon that bill could offer strong technology incentives while delivering significant longer-term emission reductions.

We offer the following principles to aid in the design of comprehensive, economy-wide climate legislation:

- All major emitting sectors (utilities, industrial, transportation) should be covered by a national emission allowance trading program based on an upstream allocation of allowances (i.e., to utility generating units, gas pipelines, oil refineries, etc.)
- An initial first phase cap should not be imposed sooner than 10 years following enactment of legislation, to allow adequate time for compliance planning and investments in controls, including enhanced private and federal investments in CCUS technologies needed for both coal and natural gas at utility and industrial plants.
- We support the development of a bonus allowance program similar to that employed in Waxman-Markey to encourage deployment of advanced CCUS technologies at new and retrofit coal and natural gas-fueled plants. Bonus allowances would complement the tax incentives for CCUS that Congress recently enacted in 45Q legislation, enhancing the prospects for application of advanced CCUS technologies.
- Analyses by the UN Intergovernmental Panel on Climate Change and the International Energy Agency conclude that the aggressive global emission reductions envisioned by the Paris Agreement cannot be achieved without widespread application of CCUS technologies in developed and developing nations, for all fossil fuels used by both the power generation and energy-intensive industrial sectors.
- Each sector covered by the legislation should have its own cap, measured in tons of CO₂ or by emissions efficiency measures such as grams of CO₂ per mile for the vehicle fleet. The transportation sector is now the largest source of CO₂ emissions, so an aggressive program of reductions would be needed to meet targets such as those envisioned by the Paris Agreement.
- The rate of decline for any cap (sectoral or national) needs to be assessed in light of the cost and availability of technologies for reducing CO₂. In the case of electric utilities, a longer time frame for reductions can be justified based on the need for accelerated commercial demonstration and deployment of CCUS technologies. The transportation sector also requires long lead-times due to the gradual rollover of vehicle fleets.
- DOE's current projections of sectoral CO₂ emissions from 2017 to 2050 show the increasing importance of addressing emissions from the industrial sector, and the preponderance of future emissions from petroleum and natural gas sources:



- A single federal trading program with an aggregate cap based on sectoral emissions reductions is preferable to state-by-state caps. Interstate trading of emission allowances should be allowed.
- Emission allowances should be distributed without cost to emitting entities, similar to the Title IV acid rain program. Free allowances should be distributed based on formulae incorporating historical heat input data.
- We oppose allowance auctions as they constitute a form of double taxation on emitting sectors: first, compliance must be achieved through investments in control measures, and second, allowances must be purchased through an auction system. An auction-based program is simply a carbon tax in disguise, subsidizing renewables and other zero - or low-emitting sources.
- Maintaining fuel diversity among fossil, nuclear, and renewable resources is the key to a resilient electrical grid, and to the political and economic viability of national climate change legislation.
- The fewest possible limitations should be placed on emission banking and borrowing to reduce overall compliance costs. Similarly, a broad variety of domestic and international offsets should be available, including initiatives to help reduce deforestation.
- The DOE Fossil Energy budget must be dramatically expanded to accelerate the development and commercialization of second-generation CCUS technologies.
- Regardless of the form of national climate legislation, workers in adversely impacted industries must be assured of a robust package of compensation with comparable retirement and health care benefits coupled to expanded worker retraining and similar transition programs.