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# New climate bill adds offshore drilling veto

## States could block neighbors; Obama backs, but how much?

WASHINGTON - Coastal states could veto offshore drilling plans under long-awaited legislation to curb global warming that was unveiled Wednesday.

The proposal by Sens. John Kerry, D-Mass., and Joe Lieberman, I-Conn., comes just as the Gulf oil disaster complicates the measure's already slim chances of passage.

Crucially, Republican Senator Lindsey Graham, who helped write the bill but withdrew from talks over the immigration reform debate, did not attend the unveiling ceremony.

Graham, in a statement, reiterated that he does not think this is the time to press on a climate bill because of the oil spill and talk of moving ahead on immigration reform.

The legislation aims to cut by 2010 carbon dioxide and other heat-trapping greenhouse gases by 17 percent below 2005 levels, and would set a price on carbon emissions for large carbon emitters such as coal-fired power plants.

In concessions to lawmakers concerned about offshore exploration in the wake of the oil spill, the bill would allow:

- states to opt out of federal drilling up to 75 miles from their shores;
- states directly affected to veto drilling plans of nearby states if they can show a spill would significantly impact their area. The Interior Department would determine

whether a neighboring state could be economically and environmentally affected by a leak.

States that go ahead with offshore drilling would retain 37.5 percent of the federal revenue generated — a shift from current policy. Now royalty revenue goes to the Treasury; states collect no royalties.

Senators in Western states are likely to oppose the change, saying offshore revenue belongs to the nation as a whole. But coastal states argue that when an accident occurs, they're the ones affected by cleanup costs.

Backers of the bill had hoped to bring in wavering Democratic lawmakers, and Graham had been expected to help bring in other Republicans to reach the 60 votes needed to pass the bill.

### How much help from Obama?

President Barack Obama on Wednesday promised to work to pass the bill into law.

"It will strengthen our national security by beginning to break our dependence on foreign oil," he said in a statement. "The challenges we face — underscored by the immense tragedy in the Gulf of Mexico — are reason to redouble our efforts to reform our nation's energy policies."

But it is unclear if Obama is willing put the same kind of political capital behind the climate bill as he did for health legislation earlier this year, as

some advocates have been seeking.

Without a big White House push, the bill faces slim chances this year with the already clogged congressional schedule, such as dealing with financial industry reform and a Supreme Court nomination.

Midterm elections later this year also will distract many lawmakers from focusing on legislation that could boost prices for gasoline and electricity in coming years as the country struggles out of recession.

"Everyone knows this is Congress's last, best chance to pass comprehensive climate and energy legislation," Kerry said late Tuesday. If it fails, he added, "Congress will be rendered incapable of solving this issue."

The bill includes provisions for boosting nuclear power and offshore drilling in order to help win votes from states where the economies depend on energy production. Earlier versions of the legislation relied more on boosting alternative energy such as wind and solar.

Analysts said measures for drilling may hurt the chances of the bill.

"The Gulf of Mexico spill has turned offshore drilling — an issue that once greased the wheels of the grand bargain — into a political toxin," said Kevin Book, analyst at ClearView Energy Partners, who until a month ago had been optimistic about the bill's chances.

Still, many environmentalists said the

bill must be passed this year to give businesses confidence to move forward with clean energy sources.

Many utilities with big investments in low-carbon nuclear power, natural gas or wind and solar power hope to benefit from a crackdown on greenhouse gases.

Utilities such as FPL Group, Duke Energy and Exelon have lobbied alongside environmental groups for the climate bill.

“Enacting a strong federal clean energy and climate program will give business the certainty it needs to unleash significant investments that will create jobs and grow our economy,” said Eileen Claussen, the president of the Pew Center on Global Climate Change.

#### **Climate components**

The legislation would establish what has become known as a cap and trade system for reducing carbon pollution

by electric utilities and factories.

Starting in 2013, electric power utilities would have to obtain pollution permits, initially provided for free by the government and then changing to full auctions by 2030, according to Senate aides.

The permits could be traded on a regulated market.

Senate aides, who asked not to be identified, said the permits would be allocated to utility companies based on a formula of 75 percent related to their emissions and 25 percent on their deliveries.

That’s a revision from a previously considered 50-50 formula that polluting coal-fired utilities complained was unfair. But the formula could bring a backlash from environmentalists.

William Snape, senior counsel for the Center for Biological Diversity, said that “those ratios of allowances do nothing to ameliorate global

warming.” He added: “Industry is getting exactly what it wants” with the legislation, at the expense of the environment.

The legislation also allows U.S. carbon emitters to participate in an “offset” program to help with overall carbon reduction. They would get credit for some emission-reductions if they helped out with other projects, such as protecting more grasslands, helping capture emissions from coal mines and landfills and other activities.

Up to two billion tons in offsets each year would be available with 75 percent aimed at domestic programs and 25 percent for international environmental efforts.

International projects could rise to 1 billion tons if sufficient domestic projects are not identified, according to Senate aides.

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*The Associated Press and Reuters contributed to this report.*