



Three Questions for Sen. McCain on His Global Warming Speech Today in Portland, OR

May 12, 2008

1. Will McCain Modernize His Plan Based on the Latest Science?

Since John McCain (R-AZ) co-wrote a global warming bill in 2003, evidence has mounted that the most serious effects of global warming are already well upon us. Scientists now advocate steeper, swifter reductions in greenhouse gases than they did five years ago. Will McCain's upcoming global warming speech demonstrate he understands the immediate consequences of not acting quickly to reduce greenhouse gases? Or will he cling to his now outdated positions? Here are four key criteria for evaluating whether his plan is serious.

ASSESSING MCCAIN'S GLOBAL WARMING PLAN	
KEY CRITERIA	MCCAIN
1. Cuts Emissions by 20 percent by 2020, and 80 percent by 2050	?
2. Auctions All Emissions Permits	?
3. Helps Families with Rebates	?
4. Action Is Not Contingent on Other Nations	?

McCain's proposal must reflect the latest scientific urgency about deep mid- and long-term reductions in greenhouse gas emissions. The concentration of greenhouse gases in the atmosphere has already risen from the pre-industrial level of 280 parts per million to 385 ppm. Scientists believe that we must stabilize gases at about 450 ppm to prevent a 2 degree Celsius increase in worldwide temperatures and stave off the most severe consequences of global warming. To prevent this catastrophe, the United States must reduce annual greenhouse gas emissions from its current level of 7.1 billion metric tons by:

- 20 percent below 1990 levels by 2020 (to 5.7 billion metric tons)
- 80 percent below 1990 levels by 2050 (to 1.2 billion metric tons)

McCain must require polluters to purchase their pollution allowances, not let them receive the permits for free. Sen. McCain's proposal relies on a greenhouse gas "cap-and-trade" system that require emitters to buy or have a permit for every ton of greenhouse gases they emit, as do most other legislative proposals that are serious about combat-

ing global warming. Under these proposals, the number of available allowances declines over time, so their value will increase. The auction of these emissions allowances to emitters would generate tremendous revenue—as much as \$300 billion a year. These resources could be used for rebates to compensate low- and middle-income households for higher energy costs, and for investments in renewable and efficient energy. Many polluting companies, however, want the permits for free rather than having to buy them in an auction. Giving away permits would give companies a huge windfall because they are likely to raise prices anyway, as did European corporations under the European Union cap-and-trade system. In contrast, the Regional Greenhouse Gas Initiative by a number of northeastern states will require that emitters buy their allowances. Auctioning all the permits in a nationwide program will provide enough revenue to offset higher energy costs for struggling families and our nation's quest for clean energy and energy independence.

McCain's plan must reduce the pain of higher energy costs on low- and middle-income Americans. Because most of the cost of pollution permits will be passed along to consumers, rebates are needed to shield low- and middle-income Americans from higher energy costs.

McCain must require that the United States act now, not wait for action by China, India, and other developing nations. As one of the wealthiest nations in the world, and the country responsible for more greenhouse emissions already in the atmosphere than any other country—27 percent of the total—the United States has to lead on climate change. Once we adopt binding reductions in greenhouse gases, then we will have the standing to get developing nations to pursue their own reductions. President Bush and many other conservative opponents of global warming solutions insist the United States should not adopt binding reductions unless developing nations do so as well.

Since 2003, climate science has demonstrated the urgency of such action, and the political environment has shifted substantially in the same direction. McCain's former partner on his 2003 legislation, Sen. Joseph Lieberman (I-CT), has joined with Sen. John Warner (R-VA), Sen. Barbara Boxer (D-CA), and three other Republicans to push a more aggressive bill. But McCain said he is looking for more subsidies for nuclear power before supporting this bipartisan bill. Comparing McCain's plan with the Lieberman/Warner legislation shows that McCain is lagging behind other Republicans in leadership on global warming.

COMPARING GLOBAL WARMING APPROACHES

Bill Name	Climate Stewardship and Innovation Act (S. 280)	Climate Security Act (S. 2191)
Sponsors	McCain and Lieberman	Lieberman and Warner
Emissions Reduction by 2020 Below 2005 Levels	13 percent	18 to 25 percent
Emissions Reduction by 2050 Below 2005 Levels	50 percent	62 to 66 percent
Share of Emission Permits Given Away to Industry	100 percent	43 percent in 2012, Falling to 0 in 2031
Rebates for Families	No	Yes, Limited Rebates
Contingent on Action by China and India	No	No

Source: Natural Resources Defense Council; Congressional Research Service

2. Will McCain Support Energy Efficiency And Renewable Policies to Reduce the Cost of Global Warming Pollution Cuts?

A cap-and-trade system alone is inadequate to address global warming. Other complementary policies can help meet emissions targets more quickly and at a lower cost, such as investments in energy efficiency and renewable energy alongside necessary compliance standards. This is true for several reasons:

- Although a cap-and-trade system will put a price on carbon, the initial price could be relatively low, particularly if the allowances are given away. Moreover, incentives for research, innovation, and infrastructure investment could be undermined by volatile prices.
- Some innovations, such as plug-in hybrids, may require incentives for consumers to purchase them when they first enter the market. There are constructive roles for the government to play in speeding basic research, and in encouraging investments in deployment so that innovators can carry their new, energy-efficient products across the so-called “valley of death” between invention and successful commercialization.
- There may be collective problems impeding the adoption of clean energy measures, such as the structure of the electricity markets, which rewards utilities for selling more electricity, as well as disincentives for renters to make their facilities more energy-efficient.

There are a number of complementary policies that would lower the cost and speed the reductions in greenhouse gases. Sen. McCain could:

- Endorse higher fuel economy incentives and requirements for automobiles beyond the 35 miles-per-gallon by 2020 fleetwide average that became law in 2007.
- Shift tax incentives from oil-and-gas exploration toward energy efficiency and renewable energy.
- Establishment of a national “renewable electricity standard” to complement the existing efforts of 26 states. The national standard would require utilities to produce 15 percent or more of their electricity from renewable sources by 2020.

3. Will McCain Make a Costly, Risky Bet on Nuclear Power?

McCain’s energy plan relies heavily on new nuclear power plants to provide electricity. He says he will support the Lieberman-Warner Climate Security act only “if we have a dramatically increased role for nuclear power.” He insists that “nuclear power has got to be a very big part of any effective action to reduce greenhouse gas emissions.” His global warming bill, S. 280, includes at least \$3.7 billion in new subsidies for nuclear power, including federal funds for design and engineering, licensing, and loan guarantees. This approach, however,

would require billions of dollars of subsidies, millions of gallons of water, and an unprecedented nuclear plant construction boom—alongside 10 new Yucca Mountains to dispose of the high-level nuclear waste.

Here's what's wrong with McCain's nuclear-power ambitions:

Making a Dent in Global Warming Would Require a Huge Number of Nuclear Plants. Doubling worldwide production of nuclear power would provide only one-seventh of the needed greenhouse gas emission reductions. According to the Keystone Institute, using nuclear power to stave off global warming “would require adding on average 14 plants each year for the next 50 years, all the while building an average of 7.4 plants to replace those that will be retired,” and “10 [nuclear waste] dumps the size of Yucca Mountain.”

Huge Subsidies Would Be Needed, and Then Still More Subsidies. Nuclear power received huge subsidies over the past 60 years, a pattern sure to be continued if McCain's proposal is adopted. The Congressional Research Service found that nuclear power received \$74 billion in federal government support from 1948 to 2003, calculated in constant dollars as of 2003, more than half of all federal energy R&D money. Although nuclear power plants are now a mature technology, Congress continues to subsidize them because Wall Street investors are otherwise unwilling to invest in such risky, expensive endeavors. In 2005, Congress enacted \$13 billion in additional federal support, including nearly \$6 billion to operate plants.

Nuclear Plants Take Too Long to Build. It takes 10-to-15 years to plan, design, license, and build a nuclear power plant. Energy efficiency, for instance, can reduce energy demand much more quickly than the construction of nuclear plant. And it takes only 18 months to two years to build a wind farm.

Nuclear Plants Would Worsen Water Shortages. Nuclear power requires more water for cooling than any other source of electricity, consuming up to 720 gallons per megawatt hours, compared to coal-fired power plants, which consume up to 480 gallons/mWh. These vast quantities of water may be hard to find if global warming leads to more and longer droughts. AP reported that “During Europe's brutal 2006 heat wave, French, Spanish and German utilities were forced to shut down some of their nuclear plants and reduce power at others because of low water levels.” During the record drought in the U.S. southeast last year, 24 nuclear power plants ran the risk of shutdown due to water shortages.

Conclusion

It is clear that the McCain-Lieberman legislation of 2003 is an inadequate response to global warming. The bipartisan coalition in the Senate has moved ahead without Sen. McCain, and even Sen. McCain's advisors have said that his plans need revision. Yet it's not yet clear whether his revised plans will go far enough. That's why the American people need to know:

- Whether McCain's cap-and-trade proposal would achieve the necessary greenhouse gas reductions, help families rather than providing windfall profits to polluting companies, and exercise American leadership on global warming rather than using other countries as an excuse for inaction.
- Whether McCain will make the investments in renewable energy and energy efficiency that can help reduce greenhouse gas emissions faster and at a lower cost.
- Whether McCain will primarily rely on nuclear power, requiring billions of dollars more in subsidies for the costly, thirsty, waste-producing nuclear industry.