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Six Major Energy Companies Endorse Senator Feinstein's Cap-and-Trade Legislation

- Most aggressive emissions reduction bill supported by industry to date -

Washington, DC – At a news conference today, six major energy companies announced their endorsement of legislation sponsored by U.S. Senator Dianne Feinstein (D-Calif.) to establish a national program to reduce greenhouse gas emissions from the electricity sector.

The Electric Utility Cap-and-Trade Act is the most aggressive emissions reduction bill supported by industry to date. The bill would establish a national cap-and-trade system that would first cap, and then ratchet down electricity sector emissions by 25 percent below projected levels by 2020. The bill is also sponsored by Senator Tom Carper (D-Del.)

“A scientific consensus has been forged: global warming is real. It's happening. It can't be stopped. But if we act now, and if we act with purpose, the most serious consequences can be averted,” Senator Feinstein said.

“The question becomes what can we do? I've spent the last year trying to answer this question. And the conclusion I've reached is that there is no single answer. No silver bullet. No one thing to turn the tide. But rather, we need many answers in many different areas. And more importantly, we need people of common purpose, working together, to find innovative solutions.

“The bill we have introduced is a cap-and-trade bill for the electricity sector, which is the single largest piece of the global warming puzzle. It accounts for 33 percent of all U.S. emissions. If passed, this bill would reduce emissions from this sector by 25 percent below projected levels by 2020. So, that would make a real impact.

“And this is the first time major industry groups have endorsed a cap-and-trade bill which establishes emissions reductions as deep and aggressive as this bill.

**“But this is just one piece of the puzzle. It is one of five bills that I will be introducing over the coming weeks and months to address the root causes of global warming. The other bills will include:
A cap-and-trade bill for the industrial sector;**



Senior members of the Clean Energy Group join Senators Feinstein and Carper on January 17, 2007, to call for a national cap-and-trade program to reduce electricity sector greenhouse gas emissions by 20 percent by 2025.

A bill that increases fuel economy standards by 10 miles per gallon over the next 10 years; A bill to promote bio-diesel and E-85, and other low carbon fuels; and An energy efficiency bill modeled after California's programs.

"The bottom line is this: the time to act is now. If we fail to act, and temperatures spike by 5 degrees or more, the world around us will change forever. There's no going back," Senator Feinstein concluded.

"I am excited to be working in partnership with Senator Feinstein as we forge ahead this Congress to develop a common-sense approach on global warming that is right for our country," said Sen. Tom Carper, chairman of the Senate Clean Air Subcommittee.

"There is no one single cause of climate change, and there is no one solution. Every sector of the economy that emits greenhouse gases -- including electricity generators, automobiles and the manufacturing industry -- must be part of the response if we are to be successful in combating global warming.

"This legislation represents one part of a sensible first step for the electric utility industry, and I look forward to working with Senator Feinstein to introduce the other bills of this legislative approach in the weeks and months ahead. In addition, I plan to work with Senator Feinstein and others as I move to reintroduce complimentary clean air legislation that would not only reduce greenhouse gas emissions from the electric utility industry, but also reduce the threat of mercury pollution and smog."

The endorsement of the Electric Utility Cap-and-Trade Act comes under the auspices of the Clean Energy Group's Clean Air Policy Initiative, which includes:

Calpine: Operates power plants in 20 states and Canada , which generate nearly 26,000 megawatts of electricity.

Entergy: Operates power plants in Arkansas, Louisiana, Mississippi and Texas, which generate approximately 30,000 megawatts.

Exelon: Operates power plants in Illinois and Pennsylvania, which generate approximately 38,000 megawatts.

Florida Power & Light: Operates power plants in 24 states, and generates more than 30,000 megawatts of electricity.

PG&E Corporation: PG&E Corporation is the parent of Pacific Gas and Electric Company. Currently, PG&E Corporation operates only in California. It is the State's largest utility and serves approximately 1 in every 20 Americans. They currently own approximately 6,500 megawatts of generation.

Public Service Enterprise Group: The largest provider of energy in New Jersey, the company generates approximately 15,000 megawatts.

Together, these companies operate in 42 states and supply more than 15 percent of the electricity consumed in the U.S. today, or approximately 150,000 megawatts out of the 1 million megawatts produced nationwide. This is enough energy to power 50 million homes.

"We applaud the Senator's leadership and support her bill. The electric sector produces more emissions than any other industry -- 33 percent of our country's total greenhouse gases. The bill's blend of pragmatism and aggressiveness qualify it as a smart, serious plan to control emissions in this critical sector of our economy," Peter Darbee, CEO of PG&E Corporation.

“Calpine's fleet of natural gas combined-cycle and geothermal power plants are among the cleanest and most efficient in the country. We have built this portfolio while advocating for more stringent environmental standards at both the state and federal level. In particular, we believe that the impact of greenhouse gas emissions on the climate is a serious problem and that the nation must take immediate steps to address the issue,” Robert May, CEO of Calpine said. **“I am proud to support Senators Feinstein and Carper as they take this bold step of introducing legislation that directly addresses greenhouse gas emissions and its effect on the climate.”**

“On behalf of the Clean Energy Group companies that participate in our legislative initiative—Calpine, Entergy, Exelon, Florida Power & Light, PG&E Corporation, and Public Service Enterprise Group—we welcome the introduction of the ‘Electric Utility Cap and Trade Act of 2007’ and we thank Senator Feinstein and Senator Carper for their leadership on this important issue,” said Michael Bradley, Executive Director of the Clean Energy Group.

Specifically, the bill would:

Establish a cap-and-trade program for the electricity sector, which is the single largest piece of the global warming puzzle, accounting for 33 percent of all U.S. emissions.

Set a cap at 2006 levels in 2011 -- a 6 percent reduction from anticipated levels of greenhouse gases from the electric sector.

In 2015, it would ratchet the cap down to 2001 levels – a 16 percent reduction from anticipated levels.

2016 – 1 percent reduction from 2001 levels

2017 – an additional 1 percent reduction

2018 – an additional 1 percent reduction

2019 – an additional 1 percent reduction

By 2020, emissions would be reduced 25 percent below anticipated levels.

And after that, emissions will be reduced even further -- by an additional 1.5 percent a year and potentially more, if the EPA, based on scientific evidence, believes that more needs to be done to avert the most dire consequences of global warming.

Taken together, this legislation would reduce emissions by the equivalent of taking **79 million cars off the road by 2020.**

Establish an 11-member independent scientific panel to make recommendations to the EPA every four years on the reduction rate required to prevent catastrophic climate change. In 2011, and every four years thereafter, an independent panel consisting of eight scientists appointed by the National Academy of Sciences and three former EPA Administrators, will recommend to EPA the target greenhouse gas level needed to stabilize the climate, and the timetable for achieving the target.

Require electric utilities regulated by the bill to account for each ton of greenhouse gas emitted annually.

For each ton of carbon dioxide equivalent emitted, a company would have to trade a carbon credit to EPA.

If a utility emits more tons of carbon dioxide than it can account for with its credits, this utility would have to do one of the following:

Purchase credits from another regulated utility which has a surplus of credits; or

Purchase an offset credit from an established agricultural, forestry, or wetland carbon sequestration project or industrial greenhouse gas emission reduction project.

Agricultural offset projects may include crop management practices that sequester carbon, and conversion of cropland to rangeland or grassland. Forestry and wetland offset projects may include afforestation, wetland restoration, and avoided conversion of forested land or wetlands to other uses. Industrial offset projects may include projects that reduce emissions from manufacturing and production processes.

Require EPA each year to publicly auction many of the credits created by the bill to raise revenue for clean technology development.

In 2011, EPA will auction 15 percent of the total credits. The percent auctioned will increase by 3 percent per year over the next 19 years, reaching 72 percent auctioned in 2030. Over the following six years, the percent auctioned increases by 5 percent per year, reaching a 100 percent auction in 2036 and thereafter.

The auction will raise billions each year:

\$1.9 to \$11.7 billion in 2011 (auctioning 15 percent of credits)

\$3.6 to \$22 billion in 2016 (auctioning 30 percent of credits)

\$5.2 to \$31 billion in 2021 (auctioning 45 percent of credits)

\$9 to \$55 billion in 2036 (auctioning 100 percent of credits)

80 percent of the auction revenue will be used for developing new zero- and low-carbon technologies, including clean coal, renewable energy, and energy efficiency.

The remaining 20 percent will be split evenly between mitigating the effects of climate change on affected communities and low-income persons, and mitigating the effects on fish and wildlife habitat.

The bill provides incentives for electric utilities to use renewable energy or other low carbon technologies through the manner by which credits are allocated:

From 2011 to 2036, EPA will make a portion of credits available to companies for free. EPA will distribute these free credits to utilities based on the amount of electricity each utility produces.

This strategy rewards clean utilities -- they will receive more free credits than they will need to account for their emissions. Clean utilities can sell their excess credits to power plants with significant greenhouse gas emissions.

New coal plants commencing operation after January 1, 2007 without the use of clean coal technologies get no free credits and will have to

purchase credits to account for every ton of greenhouse gases they emit. Thus, utilities will suffer a significant financial penalty if they build new coal plants without the clean coal technologies.

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