

Congressional Cap & Trade Proposals: The Impacts on Colorado and the Nation

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NMA Position on Climate Change Policy

- ▶ Provides sufficient funding and incentives to accelerate the development, demonstration and broad commercial deployment of affordable advanced carbon management technologies
- ▶ Establishes a legal framework for CCS
- ▶ Contains costs and provides economic security
- ▶ Prohibits duplicative and conflicting frameworks for greenhouse gas emissions
- ▶ Maintains global competitiveness of U.S. industries

**No Pending Bill
Meets These Principles**

Pending Legislation

- ▶ Waxman-Markey; H.R. 2454
 - Passed House June, 2009
 - 219 to 212 – razor thin majority

- ▶ Kerry-Boxer; S. 1733
 - Passed Committee November 5 with Republican boycott
 - Pending Senate consideration

- ▶ Stalking Horse
 - Kerry-Graham-Lieberman
 - Conceptual – Gas, OCS, Nuclear, Trade, Coal
 - Draft possible late February or March



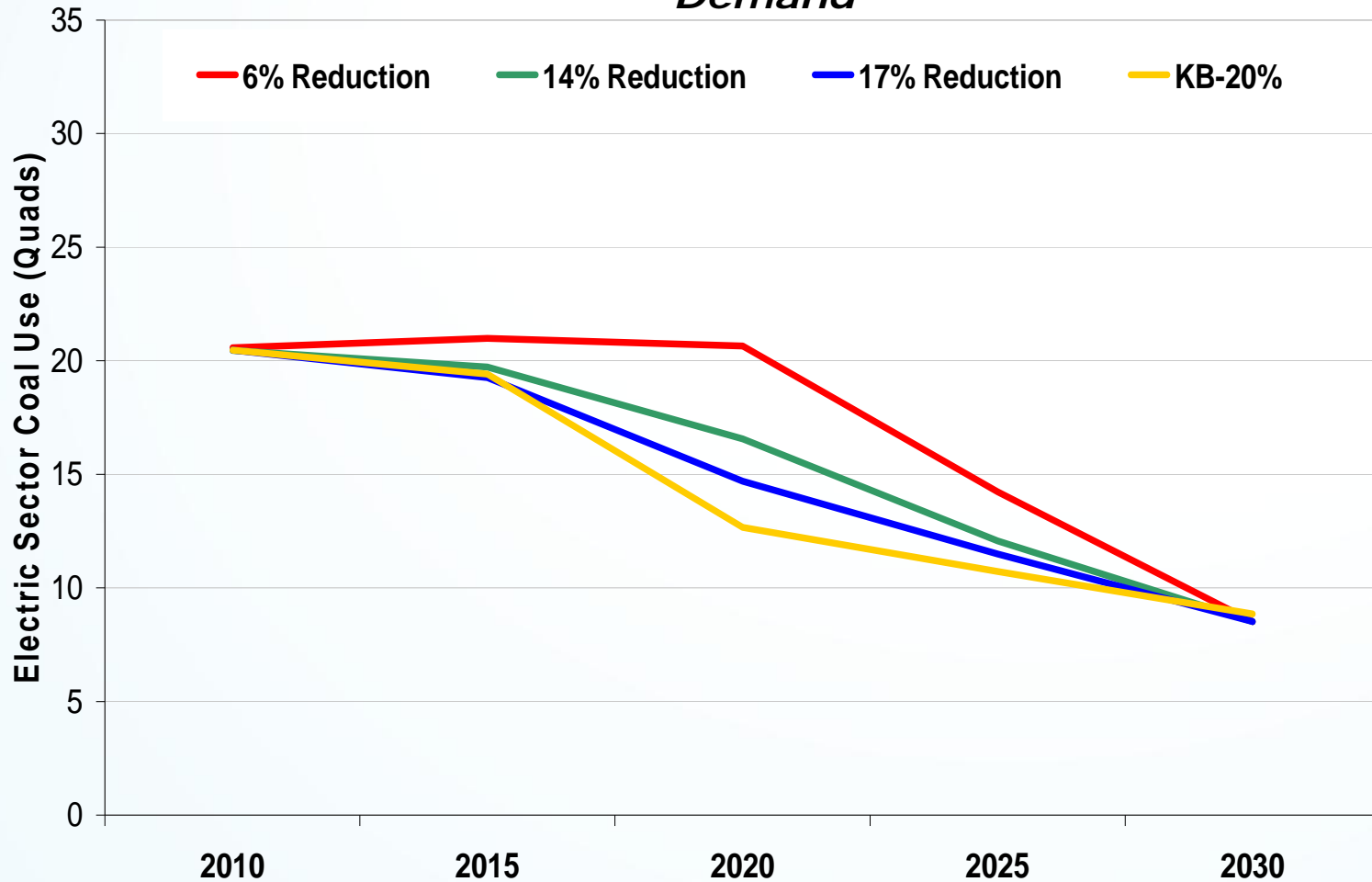
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NMA Analysis

- ▶ Key findings reveal that aggressive emission reduction targets and lack of effective cost containment could result in:
 - 75 percent decline in coal use by 2030
 - More than 70,000 coal mining jobs lost
 - Wholesale electricity price increase of 113 percent by 2020
 - Reduction of \$1,800 in annual household disposable income by 2020

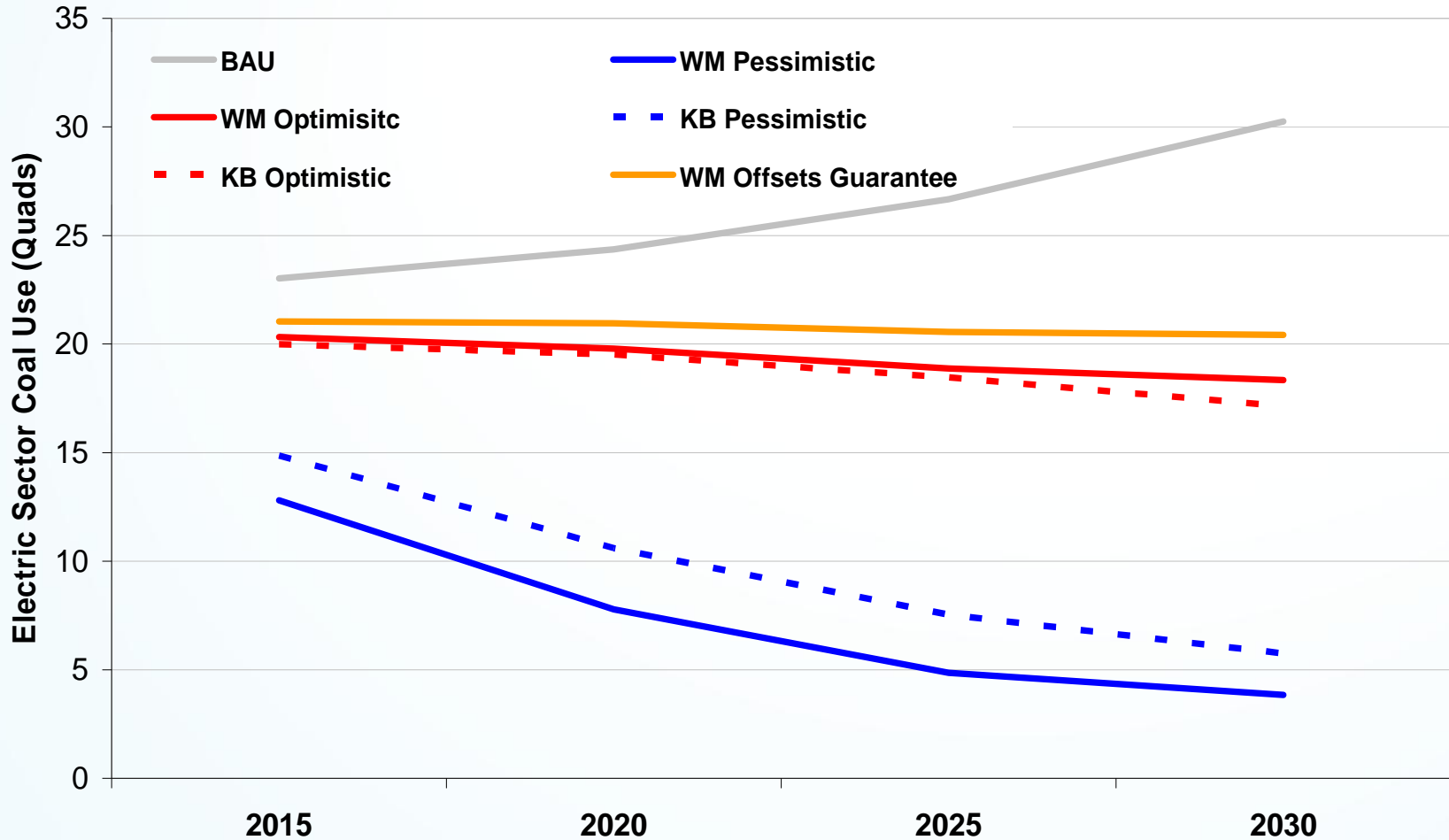
Architecture Makes a Big Difference

Small Changes in the 2020 Cap Can Add Up to Real Differences in Coal Demand



The changes in the 2020 cap, although seemingly small, add up to changes in demand for coal that are not insignificant in 2020. The difference between a 14% reduction and a 20% reduction is about 3 quads of coal demand in 2020.

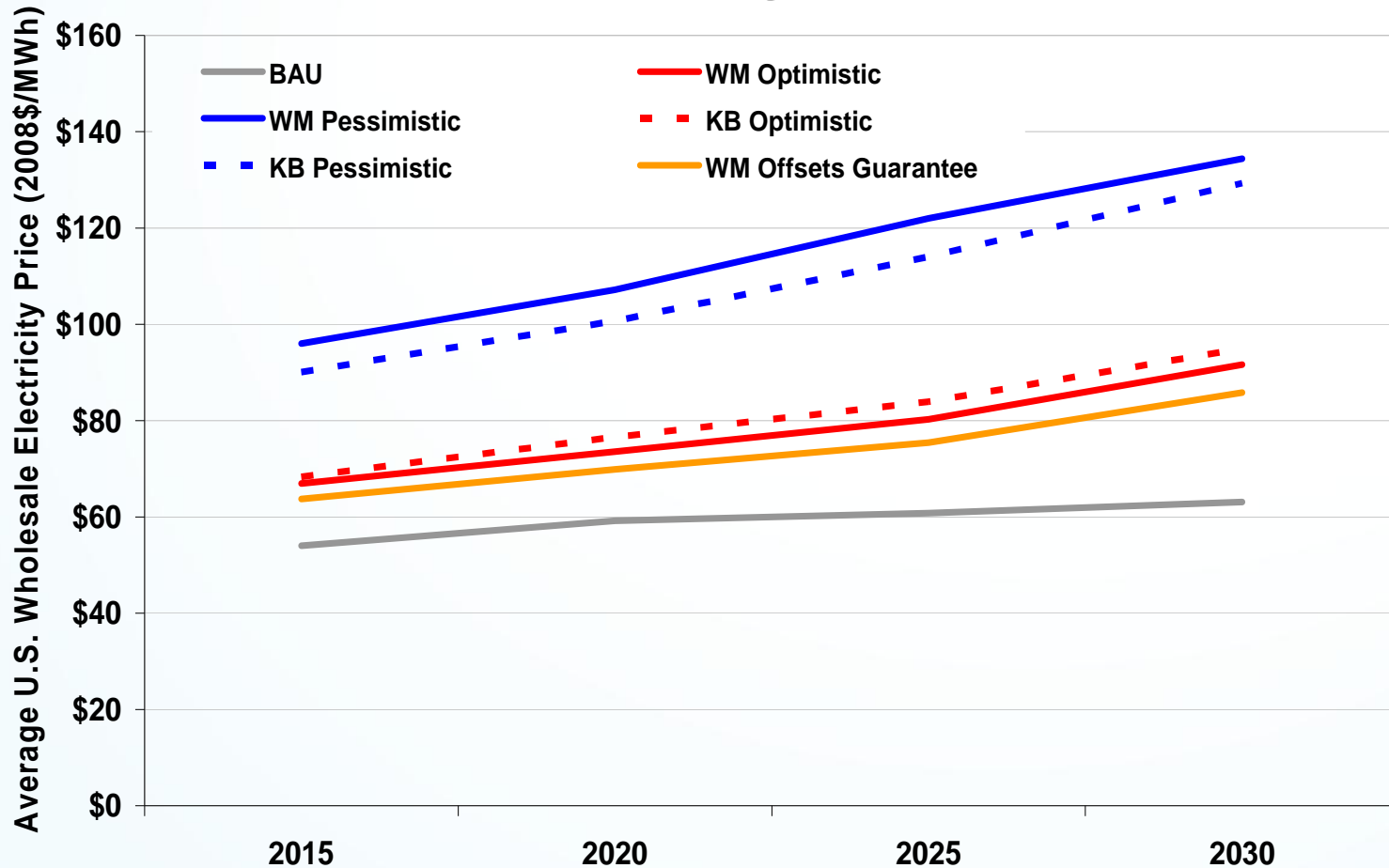
Impacts on Coal Usage



The availability of low-cost international offsets is key to keeping carbon allowance prices down and helping to maintain coal usage in the electric sector.

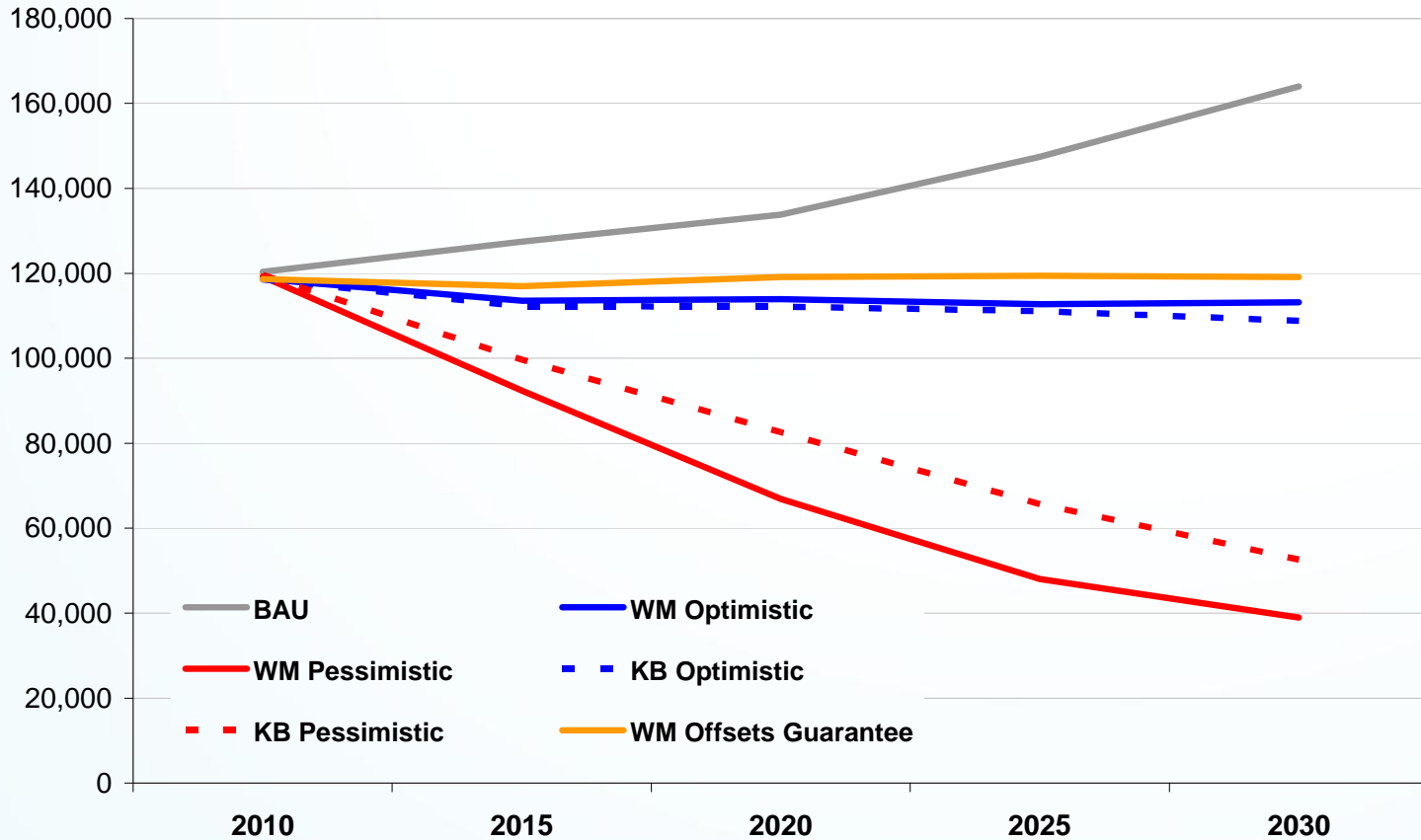
In all cases, coal use declines significantly relative to the BAU.

Average U.S. Changes in Wholesale Electricity Prices



The CO₂ allowance price causes electricity price increases in all regions, but with greater absolute and percentage impacts in regions that today have lower-cost electricity.

Coal Mining Job Loss Forecast



In addition to the direct coal mining job losses, there are many jobs that would be lost in other sectors, if coal mining activities were to decline.

NMA Supported SAIC Colorado Impact Analysis

- ▶ In Colorado by 2030:
 - Electricity prices increase up to 61%
 - Gasoline prices increase up to 27%
 - Natural gas prices increase up to 78%
- ▶ Impact on Colorado Gross State Product (GSP)
 - Loss of \$638 million to \$1.1 billion per year by 2020
 - Loss of \$6.7 to \$9.2 billion per year by 2030

NMA Supported SAIC Colorado Impact Analysis

- ▶ Colorado manufacturing sector output declines 5 to 6% by 2030
- ▶ Energy intensive manufacturing output declines by 12 to 13% by 2030
- ▶ Colorado would lose between 26,000 to 36,000 jobs

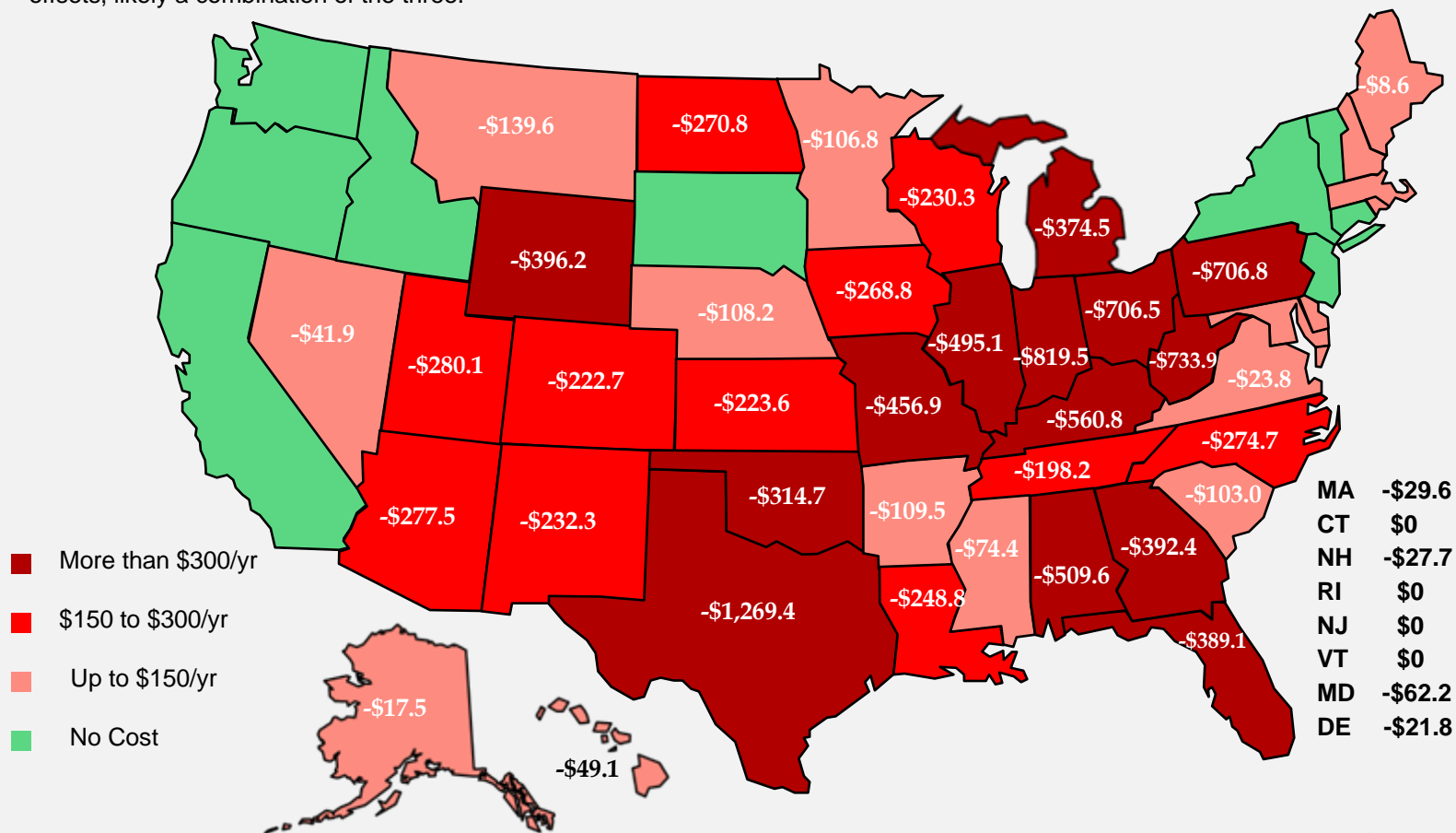
Colorado Coal Production Impacts According to SAIC

- ▶ Direct and Indirect coal mining employment in Colorado is 16,000 jobs
- ▶ Combined payroll is over \$750 million
- ▶ Colorado coal production would fall by more than 90% by 2030
- ▶ Colorado electricity production falls by 18 to 28% by 2030

Most States Lose Under House Climate Bill

Consumers will pay more for electricity to make up for the shortfall in allowances (dollars in millions).

Based on the allowance allocation formula in H.R. 2454 for electricity consumers, most states will not have enough allowances to cover their emissions from electricity generation. This shortfall in allowances will lead to higher electricity costs for consumers, the total of which will roughly correlate with the dollar losses noted on the map. Midwestern and Southern states will be the hardest hit. To make up the shortfall, states will have to seek high-cost, non-CO2 emitting electricity sources, reduce electricity production and consumption, purchase allowances, or purchase domestic and international offsets, likely a combination of the three.

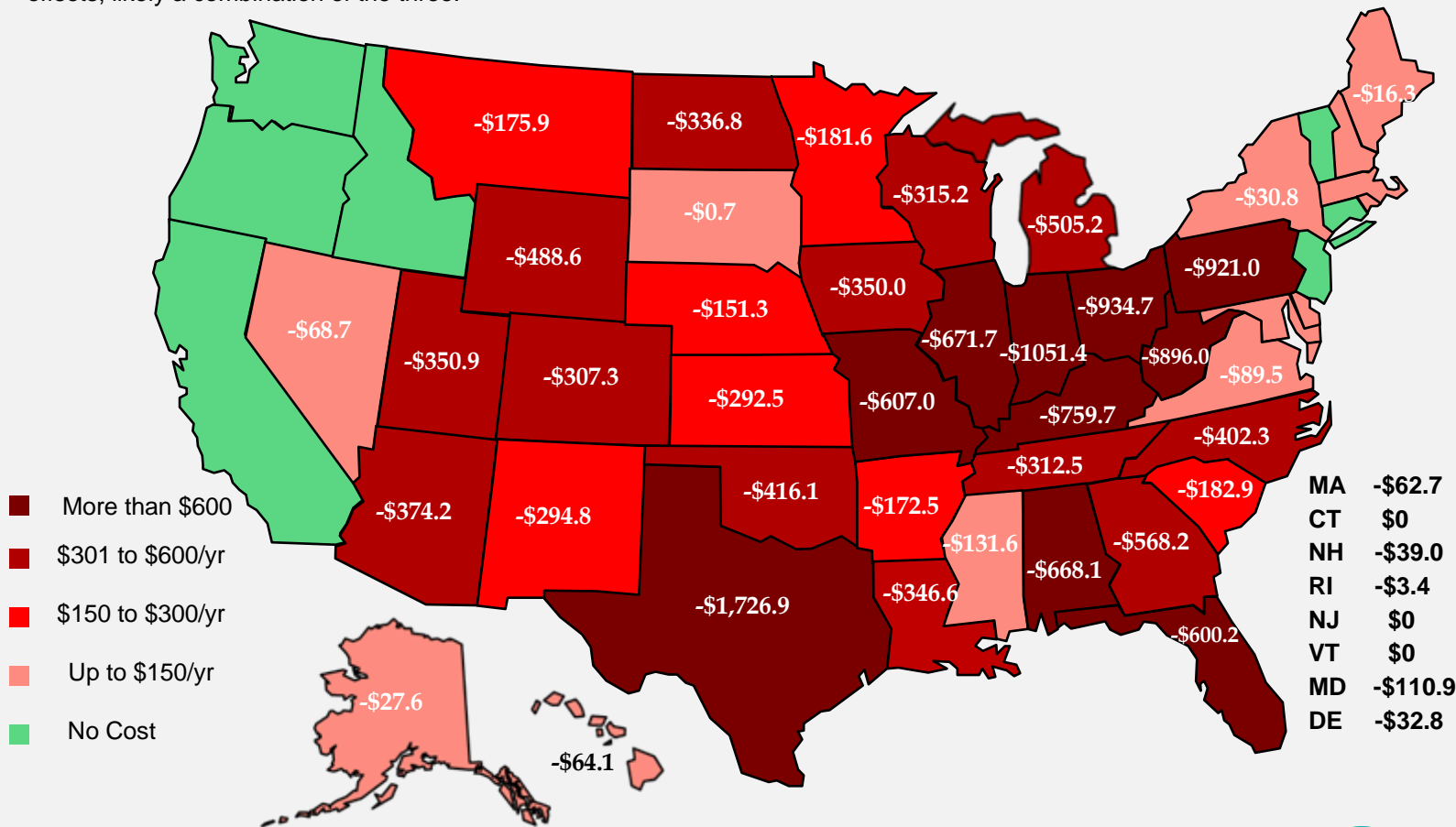


Based on Energy Information Administration (EIA) and Congressional Budget Office (CBO) data. Dollars in millions. Approximate cost to customers in 2012 (at CBO estimate of \$16/ton).

Most States Lose Under Senate Climate Bill

Consumers will pay more for electricity to make up for the shortfall in allowances (dollars in millions).

Based on the allowance allocation formula in S. 1713 for electricity consumers, most states will not have enough allowances to cover their emissions from electricity generation. This shortfall in allowances will lead to higher electricity costs for consumers, the total of which will roughly correlate with the dollar losses noted on the map. Midwestern and Southern states will be the hardest hit. To make up the shortfall, states will have to seek high-cost, non-CO2 emitting electricity sources, reduce electricity production and consumption, purchase allowances, or purchase domestic and international offsets, likely a combination of the three.



Based on Energy Information Administration (EIA) and Congressional Budget Office (CBO) data. Dollars in millions. Approximate cost to customers in 2012 (at CBO estimate of \$18/ton).



Senate Climate Assessment

- ▶ Cap & Trade lacks votes to pass Senate in this Congress.
- ▶ Kerry-Graham-Lieberman alternative loses as many votes as it gains.
- ▶ 2010 elections deter engagement by key swing Democrats on climate.
- ▶ Energy bill likely becomes priority in the absence of consensus on climate bill.
- ▶ Efforts continue to block EPA regulation

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