

POLITICS: Climate talks advance, but no deal on the table (07/20/2010)

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The whistle hasn't blown yet. Utility bosses and environmental leaders are continuing efforts with key senators to find common ground around capping carbon emissions at electric power plants.

Sen. John Kerry (D-Mass.) convened a meeting yesterday with officials of the Edison Electric Institute (EEI), a top trade group for large electric companies, to discuss industry concerns around the cost of cutting emissions from the nation's fleet of power plants.

"If we're still talking and all of us are still putting out new ideas and new approaches, that to me signals that people are still looking at this, and still looking at it seriously," Brian Wolff, a senior vice president with EEI, said yesterday.

"I think in our experience in Washington, when the ideas stop being generated and the new approaches and new directions and the creativity starts to leave a process, that's when the process starts to wither," he added. "And I don't see that happening."

A separate line of negotiations continued on Sunday among members of the so-called "working group" -- a collection of industry and environmental leaders from outfits like Duke Energy, the Environmental Defense Fund and the Pew Center on Global Climate Change. Senate aides attended the meeting, but one source familiar with the discussions declined to provide details for fear of upsetting the sensitive negotiations.

"I'm surprised by our success. The only question I have is whether there's enough time remaining to work through everything and then to engage all the critical mass of people you need to engage," the nongovernment source said, adding that key players in industry and on the environmental side are not involved in the discussions. "I don't want to pretend that this group is representative of all the groups we need to engage."

Today, the CEOs of Southern Co., American Electric Power and Progressive Energy will arrive on Capitol Hill to discuss the climate issue and other priorities with senators and House members. They are coming as Senate Majority Leader Harry Reid (D-Nev.) is drafting an energy and climate bill that he said last week would address power plant pollution, though it's unclear if that's still the plan.

Asked if it's possible that Reid's bill could omit restrictions on the electricity sector, Reid spokesman Jim Manley said last night in an e-mail, "I nor NO ONE from this office has said anything definitive about utility."

Utilities hiding cards; White House hiding?

That uncertainty appears to be complicating the negotiations, according to the source familiar with the efforts of the working group. Utility executives might be withholding their most attractive bargaining positions because they fear the White House and Democratic leaders are not committed to the climate effort this year, the source said.

"The majority leader is still not definitive on [capping utility emissions]. The White House has not been definitive. Without them saying we're going to do that, it's very hard to engage all the major players," the source said. "That's because if they feel this is not when the actual work is going to be done, they worry that any concessions they make in the negotiating process will just be used against them next time. And they will be, as they say, negotiating with themselves."

"If we lose this game, if we lose this effort, I think it has largely been because the White House did not intervene in the legislative process," the source added.

White House spokesman Ben LaBolt challenged the assertion that the White House was uninvolved. He said staffers from the office of Carol Browner, the president's energy and climate change adviser, attended one meeting in the Senate with EEI. Aides are also routinely in contact with Senate staff, he added.

The Senate has never appeared to be close to finding 60 votes for climate legislation this year. Democrats shifted course three weeks ago to test the waters with a utility cap, a much thinner version of the economywide plan promoted during the winter and spring by Kerry and Sen. Joe Lieberman (I-Conn.).

But that left little time to set the narrower plan in place, which exacerbates the financial cost of cutting carbon on utilities. That's what the string of meetings are attempting to do: find new ways to soften the cost on power plants.

"This is all Alice in Wonderland. None of this is going to happen," said another source familiar with the discussions. "I think if we had six months starting now, this could be one part of a big power-sector bill next year, which I think is one of the options going forward."

The meetings have at times focused on knotty issues going back 20 years or more.

Scrubbers and higher costs

EEI has suggested it needs relief from traditional Clean Air Act regulations, like those poised to be released by U.S. EPA next year limiting mercury emissions and other harmful gases. Depending on how aggressive the agency's regulations are, the rules could impose dramatic new costs on power plants, many of which might have to install, operate and service equipment to "scrub" their gaseous output.

One [document](#) estimates that each scrubber for large power plants would cost about \$116 million and would require the hiring of about 1,000 people for the first year, and about 103 people every year afterward.

"This is what's coming," the source said. "The politics are about climate change right now, but the actual real focus is on these toxic standards."

The questions some utilities are raising is whether ratepayers can afford those new costs -- and the increases that would come separately from reducing carbon emissions.

"If the cost coming through the utility is so high that in order to make those changes you have to be able to pass along rate recovery through the [state regulators] -- and that means the consumer prices are going to go up," Wolff said. "It's not a really complicated chain reaction."

Mindy Lubber, president of Ceres, a group of institutional investors that emphasizes environmentalism, illustrates a popular position among green groups.

"It's a non-starter," she said of handicapping EPA's ability to reduce non-climate pollutants that degrade public health.

The negotiating among industry and environmentalists and senators appears not to be lingering on any single bargaining chip.

Utility chiefs also raised the notion that Congress could extend the low tax rate on investment dividends, according to the source who thinks the negotiations might lay the groundwork for a bill next year. The current tax rate of 15 percent is due to expire at the end of 2010, an impact that would make many investments, including those in utilities, less attractive.

It's unlikely the issue can be bundled into the energy and climate effort, but some environmentalists expressed an interest in supporting the idea politically, the source said.

"They were kind of like, 'Hey, hey, yeah, if that gets us climate change.'"