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Duke joins plan to lower emissions

Environmental groups, corporations offer proposal to control gases linked to climate change.

By Bruce Henderson
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Duke Energy's Keith Trent

Duke Energy was among a rare group of household-name corporations and environmental groups that rolled out a plan Thursday to sharply lower greenhouse gas emissions as President-elect Obama assumes office.

The plan, developed over two years, was an attempt to present the new president with a consensus of leading players in the debate over regulation of carbon dioxide. The gas is linked to climate change.

Their recommendations would place national limits, dropping over time, on how much carbon dioxide may be released. Emitters like Duke could trade "allowances" – permission slips to release carbon – to stay under that cap.

But the industry plan differs from Obama's, who also supports carbon caps, on a key starting point. The U.S. Climate Action Partnership, which crafted the plan, says companies like Duke should initially get allowances free. Obama has said he wants the companies to buy them at auction.

It's a critical difference, because the value of the allowances is expected to soar into the trillions of dollars by 2050. The industry plan envisions reducing carbon releases 80 percent, compared to 2005, by that date. Interim targets were set for 2012, 2020 and 2030.

"If (free allowances) were removed from the mix entirely, I would say that it was one of the cards that could make

the (plan) fall down very quickly,” said Keith Trent, Duke's chief strategy and policy officer.

Trent said the costs of buying auctioned allowances would pass to customers, estimating that Duke's customers would see a 25 percent to 30 percent rate increase. He had no comparable estimate for free allowances, but said they would put money directly to work cleaning up plants.

It's too much to make customers pay for auctioned allowances in addition to the costs of “decarbonizing” power plants, Trent said.

Electric utilities emit 40 percent of the nation's greenhouse gases. Duke Energy, one of the largest U.S. utilities, with 4 million electric customers, releases 100 million tons of carbon dioxide a year, third-highest among U.S. utilities.

Environmental groups not involved with the partnership slammed free allowances and said the plan wasn't aggressive enough in calling for a 14 percent to 20 percent reduction in carbon emissions by 2020.

“Giving away too many allowances for free would distort the market and could result in windfall profits for polluters,” said Alden Meyer of the Union of Concerned Scientists.

Investing in technology

The partnership includes 26 corporations – among them DuPont, GE, PepsiCo and the Big Three automakers – and high-profile advocates such as the Environmental Defense Fund and the Natural Resources Defense Council.

The group cast its recommendations as a politically palatable stimulus to investment in low-carbon technologies and a way to start ratcheting down carbon emissions at the lowest cost to consumers.

“The health of our economy and the safety of our climate are inextricably linked, except nature doesn't do bail-outs,” said Jonathan Lash, president of the World Resources Institute, a partnership member. “If the diverse membership of (the partnership) can find common ground, Congress can agree on effective legislation.”

It's uncertain how rapidly legislation could be passed, given Obama's focus on the crumbling economy and two wars. The longer the wait for climate action, the partnership said, the higher the costs.

Duke CEO Jim Rogers, testifying Thursday before the House Energy and Commerce committee, said that “by starting now we have a better chance to smooth out and minimize the inevitable cost increases that will be imposed on U.S. consumers.”

The committee chairman, Rep. Henry Waxman, D-Calif., said he will move “quickly and decisively” to push greenhouse-gas legislation out of his committee before Memorial Day. Waxman said inaction will make it harder for the economy to pull out of recession.

“U.S. industries want to invest in a clean energy future,” he said, “but uncertainties about whether, when and how greenhouse gas emissions will be reduced is deterring these vital investments.”

But Illinois Republican Rep. John Shimkus warned his committee colleagues to “be prepared for battle.” He called the partnership plan “a shell game” to hide the cost from taxpayers.

“Let's develop a trading floor for U.S. emissions, and let's let the big-money folks at Goldman Sachs control it,” Shimkus joked. “Is that a good idea?”

The Associated Press and Bloomberg News contributed

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Duke needs to be the in the forefront in emissions reduction. It's good for Duke, Charlotte, & NC. Do the right thing. Profit will come. And change the local building code to require solar shingles!

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