



August 13, 2008

To: Western Climate Initiative Partners

From: California Budget Project
Children's Action Alliance of Arizona
New Mexico Voices for Children
Oregon Center for Public Policy
Voices for Utah Children
Washington State Budget & Policy Center



Re: Public comment on the Western Climate Initiative's July 23, 2008 "Draft Design of the Regional Cap-and-Trade Program"

Dear Western Climate Initiative Partners:

Thank you for the opportunity to submit public comments on the Draft Design. Our comments pertain to section 8: Distribution of Allowances.

We are organizations working for the interests of low-income families in our respective states. We support aggressive action to reduce carbon emissions and believe that a properly designed cap-and-trade system can be an effective and efficient tool for reducing carbon emissions.

Some opponents of a cap-and-trade system have suggested that it will inevitably hurt low-income families. This is not true. A well-designed system can reduce carbon emissions, to the benefit of everyone, without undermining the efforts of lower income consumers to get ahead, if special protections are included. In other words, special protections for low-income households are a necessary part of any effective cap-and-trade system. The Congressional Budget Office finds that, as a share of their income, the lowest-income fifth of households nationally already spend five times as much as the highest-income fifth on energy-intensive items.¹

We were pleased that the July 23 Draft Design suggested that states could use some of any auction revenues generated by the cap-and-trade system to assist consumers, "especially . . . low-income consumers" (Section 8.3). Thank you for expressing this special concern.

¹ Congressional Budget Office, "Options for Offsetting the Economic Impact on Low- and Moderate-Income Households of a Cap-and-Trade Program for Carbon Dioxide Emissions," Attachment to letter from Peter Orszag to Honorable Jeff Bingaman, Chairman, Committee on Energy and Natural Resources, U.S. Senate, June 17, 2008, p. 3. Available at <http://www.cbo.gov/ftpdocs/93xx/doc9319/06-17-ClimateChangeCosts.pdf>.



We respectfully request that the final design recommendations go further in building a system that assists low-income households so that they are not hurt by cap-and-trade. Specifically, we request the following:

Auction allowances – The first step is to assure that WCI Partners have adequate public resources to protect low-income households. This means allowances should be auctioned, not given away for free. In a study of national proposals, the Center on Budget and Policy Priorities estimated that financial assistance totaling about 14 percent of the value of allowances would be necessary to keep low-income households from falling further behind.² In addition, public revenue from auction proceeds will be needed to invest in energy efficiency, assistance for workers in affected industries, and other crucial public concerns.

The July 23 document notes that a minimum percentage of allowances subject to auction is still under discussion. We support auctioning *all* allowances, and using the revenue generated in the public interest, including effective efforts that protect low-income consumers.

Establish a clear goal of protecting low-income households – The July 23 Draft Design leaves it up to WCI Partners whether or not to provide assistance to low-income households. We urge WCI Partners to make a stronger commitment to low-income households by establishing a clear goal that the system will fully offset additional energy costs generated by the cap-and-trade system for low-income consumers. This goal will clearly align WCI Partner efforts to reduce carbon emissions with state and provincial goals of reducing poverty and hunger, proving wrong those opponents of cap-and-trade who claim the two policy goals are necessarily inconsistent.

Establish specific guidelines for protecting low-income households that include direct payments – We also encourage WCI Partners to establish specific guidelines to assure the goal of protecting low-income households is met. These guidelines should include direct payments and other efforts to mitigate directly the impact of increased energy prices on low-income households.

Thank you for your important work, and again for the opportunity to comment.

² Greenstein, Bob, Sharon Parrott, and Arloc Sherman, "Designing Climate-Change Legislation That Shields Low-Income Households From Increased Poverty and Hardship," Center on Budget and Policy Priorities, Revised May 9, 2008. Available at <http://www.cbpp.org/10-25-07climate.pdf>.