

# Joint Statement and General Principles Supporting Market-Based Policies for Climate Change and Electricity



The undersigned organizations support federal legislation enacting a uniform, economy wide cap-and-trade program for controlling greenhouse gas (GHG) emissions. A market-based system of tradable emissions allowances will promote innovation and the most cost-effective means of reducing greenhouse gas emissions.

Markets have proven to be the most cost efficient and effective means to deliver goods and services to consumers and will bring the same benefits to help achieve the policy goals of federal climate legislation.

Market forces will ensure that investments are made in the right places with cleaner, more efficient and innovative technologies. For that reason, we believe that well-structured competitive electricity markets offer the most benefit to consumers, our economy and the environment.

## General Principles

**As it considers market-based innovation to promote consumer-friendly responses to the threat of climate change, we urge Congress to:**

- Recognize that competition in energy markets will shift risk of imprudent investments in higher emitting resources away from ratepayers and towards investors while creating continuous incentives for ongoing efficiency improvements in electricity generation that will reduce emissions;
- Recognize that greenhouse gas regulation that includes a cap and trade system will ensure that the substantial investments required to meet future electricity demand take into account the cost of emissions that contribute to climate change and reduce these emissions cost effectively; and
- Recognize that the incentives for innovation in new technologies that reduce emissions will be maximized through competitive markets for electricity in conjunction with an economy-wide cap and trade program to limit GHG emissions.

On the forgoing basis, we urge Congress to establish a program that includes:

- A firm declining economy-wide cap on CO2 emissions with a uniform, nationwide trading program;
- Standards for verifiable domestic and international emissions offsets;
- Cost containment provisions that protect the economy yet maintain the integrity of the overall cap-and-trade program. Any cost containment mechanism should require true emissions reductions while sustaining a long-term price signal that drives investment and development of new technologies;
- Reasonable protections for low income customers from bearing the costs of compliance; and
- Market-based mechanisms both to encourage the efficient operation and use of existing and new resources and to achieve environmental improvements through conservation and biddable demand response.



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The **Environmental Defense Fund** is a leading national nonprofit organization representing more than 500,000 members that links science, economics and law to create innovative, equitable and cost-effective solutions to society's most urgent environmental problems. Guided by science, Environmental Defense Fund evaluates environmental problems and works to create and advocate solutions that win lasting political, economic and social support because they are nonpartisan, cost-efficient and fair.



Electricity Competition **IS** the Public Interest

The **COMPETE Coalition** represents more than 330 electricity stakeholders, employing over 7 million American workers, including customers, innovative service suppliers, manufacturers, generators, transmission owners, trade associations, and economic development corporations advocating reliable, affordable electric power through competitive electricity markets.