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Governor



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Dear Members of the Washington House Delegation:

I am writing to ask for your support for H.R. 2454, the American Clean Energy and Security Act (ACES) of 2009, when it comes before the full U.S. House of Representatives. The United States cannot afford to wait any longer to take comprehensive action to break our dependence on foreign oil while at the same time seizing the opportunity to develop 21st Century energy technologies, create jobs, reduce greenhouse gas emissions, and arrest global warming.

During my time as Governor, I have taken many actions to position our state to be a leader in the new clean energy economy that will support thousands of new green jobs. Many of these actions are included in ACES, such as a renewable portfolio (energy) standard, emission performance standards for new or long term contracted electrical generation, the California greenhouse gas tailpipe standards, and strong energy efficiency standards for buildings and appliances. Washington State has been leading by example – by passing ACES, you can help to bring other states along.

The potential for developing new energy businesses and the jobs to support them cannot be underscored, enough, and they will flourish under ACES. Our state's \$21 billion in annual energy expenditures, much of which currently leaves the state, justifies targeted public-sector investment in energy. The ACES bill will establish eight "Clean Energy Innovation Centers" for research, development and commercialization of clean energy technologies. On the jobs side, by way of example, in our state, we naively set a goal in 2007 of 25,000 green collar jobs by 2020. Today, with our robust community and technical college system with programs specifically designed to support more green jobs, we already have more than 47,000; and as you know, the American Recovery and Reinvestment Act (ARRA) makes critical investments in worker training programs geared toward a green economy. Clearly, Washington State is poised to take strong advantage of federal policies and resources intended to grow a clean energy economy.

With its strong focus on energy policy, ACES stands to reduce greenhouse gas emissions and positively impact our climate. As the recently released *Global Climate Change Impacts in the United States* report so sharply reminds us, we cannot afford to wait any longer.

The Governor's use of the word "naively" is interesting. Naïve implies that the state went about setting their goals without adequate knowledge or understanding of what a "green collar" job is or how they could be created. Given that naivete, we should wonder if credit is actually due here.

Additionally, these jobs are more theoretical than real. During the time Washington met and surpassed that "naïve" target, our unemployment rate has nearly doubled. When the Governor signed the "green jobs" Executive Order in February of 2007, the unemployment rate was 4.8 percent, identical to the US rate. After the creation of 39,000 "green" jobs (there were 8,000 in 2007), the unemployment rate has reached 9.2 percent, higher than the national average.

We have repeatedly highlighted the failure of these "energy efficiency standards for buildings" to save energy. The state Department of Ecology and Superintendent of Public Instruction have both confirmed this. An opinion piece earlier this year from DOE called savings estimates "premature," and the SPI's office released a report last December saying that data didn't show savings.

Our research found that schools built using the standards have actually increased energy use by up to 30 percent.

This is a strange claim for the Governor of "the most trade dependent state in the nation."

Imagine if the rest of the world took this attitude to justify refusing to buy Washington products like Boeing airplanes, Washington wine and apples, or Microsoft software.

Following this policy would harm the people of Washington, creating fewer jobs, make us poorer and hurt the environment.

Focusing on what we do best, we create more jobs and more prosperity because productivity is increased. Buying energy, whether it is oil or windmills, from others who produce those cheaply, saves money for Washington consumers, allowing us to invest in other industries and jobs.

This stance also hurts the environment. McKinsey & Co. note that the least expensive, low-carbon fuel is sugar cane biofuel. The US, however, has trade barriers against that energy source to keep biofuel money here. Doing so, however, led us to use fuels like corn-based ethanol and soy-based biodiesel, both of which have been determined to be more environmentally damaging.

"Targeted" investments in bio-fuels and other politically-selected technologies have a poor track record and justifying them with bad economics compounds that problem.

It is unclear where this number comes from, but it is at odds with the most recent study being released by atmospheric scientists at the UW. Mark Stoelinga, the study's lead author, and a professor in the UW's Atmospheric Sciences Department told *The Seattle Times* last year that "We can't see the global-warming signature in terms of a decline in snowpack." This doesn't mean that rising temperature may not affect snowpack in the future, but if supporters of cap-and-trade need to distort the science, it raises questions about the policy justification.

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Climate shapes everything — ecosystems, crops, water, fisheries, economy, lifestyles, and health. We know that while a temperature change of one or two degrees may not feel like much, it can be the difference between rain and snow, between droughts and floods, between a healthy forest and wildfire, and between abundant salmon runs and extinction.

Last month, a study released by the University of Washington shows we've already lost 20% of our snow pack over the last 30 years. What does that mean for Washington?

- Millions of our citizens rely on snowmelt for drinking water.
- Our multi-billion-dollar agriculture industry needs the water stored in snow pack to irrigate crops that feed our families and our economy.
- That same water feeds the rivers and streams that nurture the salmon we rely on for food and commerce.
- Less water means problems for our clean hydropower system, which provides more than 60% of our region's electricity.

We face other threats from climate change. As you know, in my first four years as Governor, I made more emergency declarations than ever in the history of the state. Within 13 months, we suffered through two 100-year floods. In the summers, we are enduring more droughts and devastating wildfires. Rising sea levels threaten nearly 40 communities — including several of Washington's largest cities — along our 2,300 miles of shoreline.

Climate change poses as big a threat to the economy as it does to the environment. In February 2009, a report detailed the economic costs in Washington State of a "business-as-usual approach to climate change." Economists concluded that Washington's families, businesses and communities are likely to incur billions of dollars of annual economic costs if we fail to drive reductions in climate-changing greenhouse gas pollution. Increased public health expenses alone could account for \$1.3 billion a year.

As you know, I am a founding governor of the Western Climate Initiative (WCI), a collaborative effort between 7 states and 4 Canadian provinces, working together to design an economy-wide, regional cap-and-trade program. A tremendous amount of time and research has gone into designing the elements of the WCI, but the member-states know that a national energy and climate policy — managed in strong partnership with the states — is critical. ACES provides such a national framework and reflects many of the elements of WCI.

The final bill must fairly allocate allowances to Washington's hydroelectric utilities — recognition of our important hydropower base has been a basic tenet of mine for any cap-and-trade program. I also support the rebate element of ACES to help our energy intensive, trade dependent industries make the needed transition to the new economy.

This paragraph is full of irony. First, the Governor has opposed counting hydropower as "renewable" under state law, but now asks Congress to do exactly that.

Second, the Governor has repeatedly argued that Washington needs to be a leader in reducing CO2 to set the tone for federal policy. Now, however, federal policy is giving the bulk of free permits to emit CO2 to states with historically high emissions. States, like Washington, that showed "leadership" and reduced their emissions will be punished under the new system. Washington led, but nobody followed.

This claim is repeated frequently in Washington, citing recent storms as evidence of climate change. But this is completely unscientific in the same way that citing our two years of record snowpack "disproves" climate change.

UW atmospheric scientist Cliff Mass addressed this earlier this year. He wrote: "How many times have you heard that severe windstorms and heavy rains will increase in the Northwest under global climate change? The truth is, there is no strong evidence for these claims and the whole matter is being actively researched. Some portions of the Northwest have had more rain and wind during the past decades, some less."

While many numbers for sea level rise are thrown around, the UN Intergovernmental Panel on Climate Change and the UW both agree that the most likely scenario is about 14 inches. The numbers cited by the Governor likely refer to projections of 2 feet or more which are called "unlikely" by scientists.

The Governor references a study released by the University of Oregon. Those numbers are debatable and they ignore the costs of the policy. Washington Policy Center, in partnership with Beacon Hill Institute, provided an economic analysis of the Western Climate Initiative's cap-and-trade proposal. The key findings of that report found that Washington State could lose: "18,292 net jobs, \$5.71 billion in personal income and \$302.54 in per capita disposable income" by 2020, with costs continuing to rise after that. If we ignore the costs of the policy we are likely to adopt a cure that is worse than the disease.

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This is the logic applied by some in Washington state to justify our "leadership" on reductions in carbon emissions. Washington hoped that the federal government would follow our lead. Instead, they are headed in a direction that penalizes the state for our early action on these issues, giving those who waited the opportunities to reduce emissions more cheaply. Hoping that this same failed philosophy will work to entice countries like China to undertake expensive changes at the expense of economic growth would appear unwise. We should follow the path that addresses the problem in the way that suits the US. If China chooses to follow, so much the better.

Finally, I believe it is important for President Obama to show America's willingness to rejoin the world community on this critical issue when climate negotiations restart in Copenhagen in December. The world is running out of time to reach agreement, and we cannot wait for the "other guy" to act. By demonstrating our country's willingness to come to the table to find agreement, we can pave the way for other large emitting countries like China to do the same.

Again, I urge you to support ACES. While there may be some policy aspects to further refine in partnership with the U.S. Senate and the Administration, I believe it moves the United States closer to truly harnessing a clean energy future.

Respectfully submitted,

/s/
Christine O. Gregoire
Governor

cc: U.S. Senator Patty Murray
U.S. Senator Maria Cantwell

In 2009, the Washington State Legislature passed on the opportunity to adopt a state cap-and-trade system. Throughout the legislative process, lawmakers expressed a range of concerns about the potential for gaming in cap-and-trade system like that seen in Europe, the lack of transparency and the high cost to taxpayers. Yet the legislation proposed in our state was a mere twenty-eight pages.

Many of those same concerns are present in the current debate about cap-and-trade. When considering this complicated and wide-ranging proposal, policymakers should keep in mind the costs, the lessons of Europe and whether it is the best approach to reduce the risk of climate change from carbon emissions.