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Argus Leader (Sioux Falls, South Dakota)

August 9, 2009 Sunday

SECTION: NEWS

LENGTH: 1776 words

HEADLINE: South Dakotans will pay more in effort to curb climate change

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BODY:

Judy Miiller of Mitchell wants to do right by the environment.

It's not that simple.

Her daughter, Trisha, is buying her first place in Sioux Falls and needs all her appliances, which account for almost 65 percent of all electricity used in the home. In a tumultuous economy, on a budget, it's not easy to spend the extra money on energy efficiency for a promise of savings down the road.

But reining in greenhouse gases globally could end up costing the Miiller's - and everyone else in the state - an extra \$38 a month in higher electric bills.

It's but one possible consequence for South Dakotans in the discussion about the American Clean Energy and Security Act, the landmark climate legislation being considered by Congress. A major piece of the bill, a cap-and-trade system on emissions, would raise the cost of carbon-based energy such as coal, thus forcing people to conserve.

"I think it's important to save when you can," Judy Miiller said. "But we also need to work within a budget. She's on a strict budget. If we can do it, fit it within the budget, then we'll go for it."

The Senate won't get serious on climate legislation until late fall. But the version passed in the House of Representatives has sections important to the state, including:

Require utilities to produce ever-increasing percentages of electricity from renewable sources such as wind, solar, geothermal, biomass and biofuels.

Pay farmers to use methods that capture carbon in the soil. They could see an annual net return of \$15 billion to \$20 billion by 2040, according to the U.S. Department of Agriculture.

Allow new coal plants, such as the proposed Big Stone II plant near Milbank, to be built through 2020. But they would be required to adopt the latest technologies in carbon capture

and sequestration. By 2025, all coal plants built after 2009 would capture 50 percent of their carbon emissions.

Push "smart grid" technology to build a better transmission infrastructure. This is crucial for getting wind-generated energy out of South Dakota.

'A market-based solution to a global problem'

"People tend to get stuck on cap-and-trade, or what it is going to do - or not do - to energy bills," said Matt McLarty, South Dakota policy advocate with the Environmental Law & Policy Center, a Chicago-based environmental and economic development advocacy organization. "There's so much more to this bill than capturing carbon. This is about creating a new industry, a new way to power America. It's not the government coming in and creating a tax. It's a market-based solution to a global problem."

Still, the legislation continues to draw attention to its cap-and-trade element, since studies confirm that utility rates will increase. And that's what the opposition is counting on to sway Americans against the measure.

"I think increased energy costs are very certain and the environmental benefits are very uncertain," said Phil Kerpen, director of policy with Americans for Prosperity, a Washington D.C.-based grass-roots economic policy advocacy group. "It's all pain and potentially no gain. That's why you've seen environmental groups come out against it as well."

The bill would set government limits on pollutants released into the air, initiating the cap. It then then let industries that emit greenhouse gases into the air, such as factories and utilities, to buy credits, creating the trade. The goal is to decrease greenhouse gas emissions 80 percent and drop global temperatures by 3.6 degrees by 2050.

Proponents, including President Obama, say the legislation is the lowest-cost solution to ease global warming, it will force people to conserve energy and spur new, green energy technologies and jobs.

Opponents say cap-and-trade merely is a national tax on energy that will burden all Americans and kill jobs.

Call it a tax or a green revolution, the cap-and-trade system is a philosophical, practical and political beast that will affect South Dakotans - and the rest of the world.

Herseth Sandlin supports goal but says economic risk too high

The House passed its version of the bill in late June, 219-212. Rep. Stephanie Herseth Sandlin, D-S.D., voted no.

Herseth Sandlin joined 44 other Democrats in voting against the measure, saying she strongly supported the bill's goal to reduce the pollution blamed for global warming. But she said it didn't go far enough to protect the state's economy.

"Given the complexity both of the climate change problem and the steps needed to address it, we need to take time to get it right," she said after the vote. "The stakes are simply too high for a rushed solution that can potentially create more problems than it solves."

The Senate has just begun to formulate its version and any vote is months away.

But in June, the Senate Energy Committee passed the American Clean Energy Leadership Act of 2009, which could be a precursor to a final bill. That legislation would expand energy development in the state and increase production of low-cost electricity.

"Federal policies to reduce greenhouse gas emissions must be flexible and let the market drive new technologies," said Sen. Tim Johnson, a South Dakota Democrat who serves on the committee. "We need policies that incentivize clean energy production. That means more biofuels and the enactment of a Renewable Electricity Standard to increase demand for wind energy just like the Renewable Fuel Standard boosted demand for ethanol."

State's cost disproportionate in cap-and-trade, Thune says

Whether the massive climate bill gets passed - the first hearings on cap-and-trade are scheduled for September - will be done so over the loud and persistent voices of senators from mostly rural states. Much resistance will come from South Dakota's Sen. John Thune, a rising star in the Republican Party and proponent of the state's wind and biofuel industries.

"I'd certainly like to see a different approach to the issue," Thune said. "My thoughts are to use incentives rather than mandates to drive this. Use a carrot rather than a stick. And there has to be real discussion on regional disparities as to the cost."

Under a cap-and-trade system, South Dakotans will get stung with increased energy costs. The state gets almost 47 percent of its electricity from coal.

"For me, the mandate approach shows that the costs are real," Thune said. "But the benefits are very much less clear."

One area where the state could make gains is in offsets. Farmers who use no-till practices, add methane digesters, plant trees and set aside marginal lands from crop production could make money by selling credits on the open market.

Add the state's burgeoning wind industry, proponents say, and South Dakota comes out a winner in helping solve global warming.

"If it's implemented wisely, a cap-and-trade system would put more money into the pockets of South Dakota's farmers and ranchers," South Dakota Farmers Union president Doug Sombke said.

"Agricultural producers all over the country have a huge opportunity here to increase their incomes and help the environment at the same time."

South Dakota farmers and ranchers were paid more than \$1.5 million in 2008 through the South Dakota Farmers Union's voluntary offset program through the Chicago Climate Exchange.

"I think it's a good deal, I'm happy to be involved," said Paul Hettinger of White Lake, who has 800 acres enrolled, and made \$2,000 last year on carbon credits for no-till farming. "I really didn't change anything, I'm just doing what I've always done. Just filled out some forms and that was it."

Other farm groups, including the American Farm Bureau, are less enthusiastic about offsets. Officials say studies fail to calculate real losses to farmers past 2020.

"Inclusion of an offset program is not the complete answer," American Farm Bureau president Bob Stallman told senators in July. "Even with a robust agricultural offset program, the bill still does not make economic sense for producers."

Not all dairies can set up a methane digester. Not every farmer can use no-till, plant trees or set up a small wind farm.

"Yet these producers will incur the same increased fuel, fertilizer and energy costs as their counterparts who can benefit from the offsets market," he said.

Rising costs are at the heart of the cap-and-trade debate.

In addition to the federal studies, there are estimates from universities and utility companies. The figures swing wildly from the cost of a postage stamp a day to \$1,300 a year for the typical household.

South Dakotans could see their monthly electric bill rise from \$80 to \$118.40, or 48 percent, by 2015, according to a South Dakota Public Utilities Commission study.

"The costs are going to be tremendous, not only for electricity, but gasoline and natural gas as well," Kerpen said.

According to a report released last week by the Energy Information Association, the House version of the bill would increase household energy costs by \$134 a year in 2020 and \$339 by 2030. The report also found gasoline rising by 20 cents a gallon in 2020 and 35 cents a gallon in 2030.

"People pay bills, they don't pay rates," said Jamie Van Nostrand, executive director of the Energy and Climate Center at the Pace Law School in White Plains, N.Y. "This is a mind-set sort of thing. People are not used to putting a price on carbon."

Reach reporter Thom Gabrukiewicz at 331-2320.

ENERGY Sources

Hydroelectric

S.D.47.6 percent

U.S.7.1 percent

COAL

S.D.46.5 percent

U.S.49.0 percent

Natural gas

S.D.3.7 percent

U.S.20.0 percent

PETROLEUM

S.D.0.1 percent

U.S.1.6 percent

Nuclear

S.D.0 percent

U.S.19.4 percent

U.S. Energy Information Administration

GOALS OF CLIMATE BILL In U.S. House

Reduce carbon emissions 17 percent by 2020 from 2005 levels, and 80 percent by 2050. This would be done largely through cap-and-trade, where pollution permits would be bought and sold on an exchange.

Require utilities to produce as much as 20 percent of their electricity through renewable energy sources or through increasing efficiency.

Invest in new clean-energy technologies, including systems that would capture and store carbon, a leading greenhouse gas.

Write new energy-saving standards for buildings and appliances.

Impose tighter performance standards on new coal-fired power plants.

Allow companies to meet emission targets by investing in projects elsewhere such as planting trees or forest conservation.

Possible CHANGES in senate climate bill

Less-aggressive targets on emissions through the years.

More incentives for nuclear and offshore oil and natural gas exploration.

Increased oversight on carbon markets.

New definitions on biomass on federal lands that could be used to meet renewable fuels standards.

Source: U.S. Energy Information Administration