



## Maximize the Gain: Principles for Advancing Economic Opportunity through Climate and Green Economy Legislation<sup>1</sup>

### Context

The House of Representatives recently passed the American Clean Energy and Security Act (ACES). Next, the Senate will take up climate and clean energy legislation to propel America forward into the new century, kick-start our struggling economy, create millions of clean energy jobs, and put American industries at the global forefront of the clean energy sector.

Determining the distribution of emissions allowances is one of the most vital components of any successful climate and clean energy policy. For example, if given away under a cap and trade program, the inherent value of these allowances could translate to massive windfall profits for polluters, or, if auctioned off, could generate revenue for public programs to ensure an effective, equitable, and expeditious transition to a clean energy economy. These programs would include both investments to promote a clean energy economy and direct consumer relief in the form of rebates or tax relief to protect vulnerable households.

In this context, capping greenhouse gas emissions is as much landmark economic policy as it is environmental legislation. The Climate Equity Alliance advocates for a set of principles and specific policies that *maximize the opportunities for America's workers and communities* during the transition to a green economy.

### 1. Put a price on global warming pollution and invest in solutions.

Any legislation must capture the value of carbon emissions for public purposes and invest this resource in an equitable transition to a clean energy economy. *The Climate Equity Alliance believes that cap and trade legislation should strive to come as close as possible to auctioning 100 percent of emissions permits.* Whatever auction percentage prevails in the current political dynamic, there should be sufficient resources (whether from auction revenue or free allowance allocation) to protect low- and moderate-income consumers and maximize cost-effective investments in clean energy solutions that create good jobs in the United States.

Greenhouse gas (GHG) pollution should not result in windfall profits for corporations. The money generated by placing a price on carbon will be substantial, amounting to tens to hundreds of billions of dollars a year.

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<sup>1</sup>These recommendations are a product of the Climate Equity Alliance (a list of endorsing organizations and more information can be found at [www.greenforall.org/what-we-do/working-with-washington/climate-equity](http://www.greenforall.org/what-we-do/working-with-washington/climate-equity)), and consistent with the Alliance's principles. An organization's endorsement of the Climate Equity Alliance's principles does not necessarily mean endorsement of all of the specific proposals detailed in this document.

This resource should be used to protect low- and moderate-income consumers and invest in the public good by ensuring an inclusive and fair transition to a high-road green economy, which advances the needs of workers, consumers, families, and diverse urban and rural communities.

## **2. Use auction revenues to help modernize select industries that maximize job creation potential and economic opportunity for low- and moderate-income Americans.**

The shift to a low-carbon, clean, green economy has the potential to create large numbers of quality green-collar jobs for U.S. workers, with skill demands that make them accessible to low-income people and under-represented populations, as long as they receive effective and targeted training and supports. This shift represents a significant opportunity to make cost-effective public investments in innovative strategies. Three such potential strategies are outlined below:

### *Create Green Jobs by Investing in Energy Efficiency*

Building efficiency can and should represent the optimal intersection of climate, energy, and economic policy. The U.S. building stock accounts for about two-fifths of U.S. energy consumption and GHG emissions. Families of low and moderate means spend a larger and disproportionate percentage of their income on home energy bills, and often reside in some of the most inefficient housing stock in the nation. And, with large efficiency savings potentially obtainable through cost-effective and proven measures, the opportunity is enormous and literally surrounding us.

The primary vehicle in ACES to facilitate the high-performance retrofitting of buildings across the country is the Retrofit for Energy and Environmental Performance (REEP) program, with funding for the program available through state accounts to which allowance value is allocated. There is also an important provision within REEP to ensure that no less than 10 percent of funding for the program is used to retrofit public housing and assisted housing. As passed out of the Senate Energy and Natural Resources Committee, the American Clean Energy Leadership Act (ACELA) includes a state energy efficiency retrofit program analogous to REEP that rewards efficiency improvements in homes and commercial buildings. It also creates the Home Energy Retrofit Finance Program to establish revolving loan funds to support residential retrofit projects directly, or through interest rate buy-downs or other credit enhancements. ACELA also proposes the creation of a Clean Energy Deployment Administration, which could be used to finance energy efficiency retrofits at scale. Finally, ACELA increases the authorization level for the Weatherization Assistance Program, which is targeted to achieve energy efficiency in low-income communities. **All four of these provisions outlined above should be incorporated into the final Senate climate legislation and should be funded.**

To be more in line with the treatment of natural gas and home heating oil and propane providers who receive free allowances for consumer price protection under ACES, and after scaling back relief for industrial and commercial customers, local electric distribution companies should be encouraged to dedicate a significant percentage of their allowance revenue to energy efficiency improvements in homes and businesses—to create jobs and ensure long-term energy savings from energy efficiency.

Some investments in energy efficiency should be targeted specifically towards the nation's subsidized low-income housing developments, in particular public housing and privately-owned multifamily buildings subsidized through federal programs, most of which are more than 25 years old and use energy

inefficiently. Funds invested in this way would not only reduce greenhouse gas emissions and benefit the lower-income families that live in subsidized housing, but also could generate substantial long-term federal savings.

### *Assist Manufacturers in Retooling to Produce Clean Energy Technologies*

U.S. manufacturing jobs have long been a ticket into the middle class, and a vital contribution to stable communities and economic prosperity in all regions of the country, particularly in the industrial Midwest. Yet the manufacturing sector has fallen on hard times of late, losing a total of 4.6 million jobs since 1999, including more than one million since the current recession began in December 2007.

The potential to build equipment and components for the clean energy economy provides an excellent opportunity to revitalize the U.S. manufacturing sector, but kick-starting this transformation will necessitate an initial investment. This investment can include federal funding for manufacturers to retrofit and retool facilities to develop, produce, and commercialize clean energy technologies. The Senate equivalent of the IMPACT manufacturing provisions in ACES -- which make such investments -- should be maintained in the final Senate bill and should be funded.

### **3. Invest in people and communities to build pathways into prosperity in a clean energy economy.**

Climate legislation will need to make substantial investments in workforce education to prepare workers for jobs and careers in the clean energy economy. Any such investment should specifically build on the strong precedent established in the Green Jobs Act, which is funded in ACES, but only for two years. The final Senate bill should dedicate allowance revenue for long-term funding of the Green Jobs Act.

### **4. Ensure job quality and access from public investments.**

Climate legislation should tie clean energy investments to economic development strategies that maximize opportunities for local workers and communities and underrepresented populations. If clean energy industries benefit from taxpayer funds, they should be expected to produce jobs with family-supporting wages and high employment standards. Public spending can and must result in good jobs and high-road economic development, but this outcome is not automatic. It must be an explicit part of the policy design process.

Senate legislation should retain, at a minimum, the Green Construction Careers Demonstration Project contained in ACES, which creates middle-class careers in the green economy for low-income Americans. It allows the Secretaries of Labor and Energy to target employment and training opportunities in green construction to workers and communities who traditionally have had little access to career-track jobs with high-road contractors in the building trades.