

## Exelon and Federal Climate Change Legislation

### Summary of Position

Exelon supports the international scientific community's conclusion that climate change is real and that human-caused emissions of greenhouse gases (GHG) are responsible for this change. Exelon believes that there is urgency to take action now to cap and then reduce human-caused GHG emissions to address the adverse impacts of climate change. Exelon supports federal legislation to address climate change and GHG emissions. This cap and trade program should be mandatory, economy-wide, with a cost containment mechanism and an allocation methodology for the electric sector that protects retail electric customers. Exelon is a member of the U.S. Climate Action Partnership, a group of businesses and leading environmental organizations that have called on the federal government to enact legislation to require significant reductions in greenhouse gas emissions.

### The Details

Exelon believes that the United States has an obligation to develop and implement a program that slows, stops, and ultimately reduces human-caused GHG emissions.

A federal program to address GHG emissions must be mandatory.

- While a carbon tax has many efficiency advantages, we believe that a cap and trade system of the type recommended by the National Commission on Energy Policy<sup>1</sup> can be both effective and politically viable.
- We need economic and regulatory certainty now in order to invest in a low carbon energy future. Some industry experts have estimated that electric companies in the U.S. will need to invest over \$800 billion in electric infrastructure to meet future energy needs by 2030. This excludes the cost of investments to comply with any GHG limits.

Greenhouse gas regulations must be comprehensive.

- A federal program should include carbon targets designed to slow, stop, and ultimately reduce emissions of all six greenhouse gases from human sources.
- The program should be national in scope. Regulated entities need one program, where the rules are clear, which preempts the growing patchwork of regional or state initiatives.
- The program should be economy-wide to be fair and effective.
- The point of regulation should be upstream to be efficient and easily administered.

Any cap and trade program must be balanced.

- It must include a cost containment mechanism and an allocation method designed to ensure that the costs do not outweigh the environmental benefits.

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<sup>1</sup> See National Commission on Energy Policy (NCEP) policy recommendations on climate at: [http://www.energycommission.org/files/contentFiles/NCEP.press.release.Recommendations.April.2007.final\\_46276b36a2f68.doc](http://www.energycommission.org/files/contentFiles/NCEP.press.release.Recommendations.April.2007.final_46276b36a2f68.doc)

- A portion of allowances should initially be allocated for free to avoid undue economic burden to consumers, but over time all allowances should be auctioned to encourage, in part, investment in low carbon technologies.
- The allocation methodology should not create windfalls or distort price signals to consumers.
  - Allowances should be granted to local distribution companies (LDCs), based on customer sales, with the economic benefits of the allowances required to be passed on to retail customers.
  - Since LDCs are regulated by authorities who set retail rates (such as state public utility commissions or the boards governing municipally owned or cooperative utilities) this allocation method would ensure that retail end-use customers receive an equitable share of the asset value associated with the sale of allowances by the LDCs.