

## Climate Change Advisory

September 21, 2010

### Races to Watch - The States and Elections That Can Impact Climate and Energy Policy

In this year's mid-term elections, the economy and unemployment shape the debate over climate and energy policy. Republican candidates argue generally that climate legislation hurts the economy by raising energy costs for consumers and businesses. Democrats who support climate legislation focus their arguments on it being a means to spur economic growth and decrease U.S. dependence on foreign oil. The debate over climate policy is also a proxy to larger debates over the proper size and role of government. Conservatives cite cap-and-trade legislation and EPA regulations of greenhouse gas emissions as an example of government interference with private enterprise.

A snapshot of the key races to watch this election season follows.

#### CALIFORNIA

##### Ballot Referendum on AB 32

In 2007, California Governor Arnold Schwarzenegger signed into law A.B. 32, the Global Warming Solutions Act, which committed the state to reducing greenhouse gas emissions to 1990 levels by 2020. The law established an economy-wide cap-and-trade system for emissions that becomes effective in January 2012. The law also established a renewable energy standard and a low carbon fuel standard.

Opponents of AB 32 successfully placed a referendum, Proposition 23, on the November ballot that would suspend implementation of the law until the state's unemployment rate falls to 5.5 percent. The well-funded debate over Proposition 23 has attracted national attention, and is seen as a bellwether for national and state energy policy. Passage or Proposition 23 would be a setback to the clean energy sector and investors because it would eliminate the regulatory certainty needed for investments in emerging clean energy technologies.

To date, A.B. 32 opponents have raised \$8.2 million with large sums coming from oil companies, including Valero Energy Corp., Tesoro Corp., and Flint Hill Resources (headed by Bill and David Koch). On the other side, environmental organizations, clean-technology advocates, and private investors have raised \$10 million to defeat the referendum. The California Chamber of Commerce has declined to take an official position on Proposition 23.

Limited polling data on A.B. 32 shows that Californians generally support the law. A July Public Policy Institute of California poll found that two-thirds of respondents supported A.B. 32, and 53 percent of those polled believe that California should act immediately to address climate change instead of waiting until the economy improves. While these results may seem encouraging for supporters of A.B. 32, the poll also found that 54 percent of those polled have near heard of cap-and-trade.

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### **Governor's Race**

The debate over A.B. 32 has been a central issue in the California Governor's race between former eBay CEO Meg Whitman, the Republican candidate, and Attorney General Jerry Brown, the Democratic candidate. During the Republican primary, Whitman struck a hard-line approach, calling A.B. 32 a "job-killer" and vowing to suspend the law's implementation for a year if elected. Since gaining the Republican nomination, Whitman has softened her stance, stating that she is leaning against voting for Proposition 23. Brown is opposed to suspending A.B. 32, arguing that doing so would deprive investors of the regulatory certainty necessary to invest in clean energy technologies. Brown has suggested that he might propose several adjustments to the law to account for states in the West backing away from cap-and-trade policies.

Polls show an extremely close race between Brown and Whitman. A Real Clear Politics average of recent polls gave Whitman a slight 1.5 percent lead over Brown.

### **US Senate Race**

Democrat Senator Barbara Boxer is facing a tough challenge from Republican Senate nominee Carla Fiorina. A Real Clear Politics average of recent polls shows that Senator Boxer holds a small lead of 2.5 percent. The debate over climate legislation, both on the federal and state levels, is playing a prominent role in the campaign. Fiorina has criticized Senator Boxer's work on cap-and-trade legislation as Chairwoman of the Senate Environment and Public Works Committee. The candidates also sparred over Proposition 23 during a recent debate. Boxer stated her opposition to Proposition 23, while Fiorina declined to state whether she supported the measure. Several days later, Fiorina did release a statement expressing her support for Proposition 23.

In the wake of the Gulf disaster, the two candidates have also battled over offshore energy exploration and development. Fiorina supports allowing California to decide whether to allow drilling off its coasts. Senator Boxer, on the other hand, is opposed to any offshore development in coastal waters near California.

If Senator Boxer loses, the Democrats will have to appoint a new chairman for the Senate Environment and Public Works Committee. Currently, Senator Max Baucus (D-MT) is the most senior Democrat on the Committee. Senator Baucus is more moderate on climate policy than Boxer. For instance, Senator Baucus voted against cap-and-trade legislation that the Senate Environment and Public Works Committee considered last fall over concerns regarding the short-term emissions target in the legislation.

### **ALASKA - US Senate Race**

Senator Lisa Murkowski is currently weighing whether to wage a write-in campaign as an independent after her stunning loss in the Republican primary to Joe Miller. Miller's victory, coupled with Senator Murkowski's potential third-party bid, provides Democrats with an opportunity to potentially pick-up a seat in a Republican leaning state.

Senator Murkowski currently serves as the Republican Ranking Member on the Senate Energy and Natural Resources Committee, and her potential departure from the Senate could have a meaningful effect on Congressional debates over climate and energy policy. Senator Murkowski led Republican efforts to block implementation of EPA's climate regulations, but she also worked with Senator Jeff Bingaman (D-NM), Chairman of the Senate Energy and Natural Resources Committee, on the American Clean Energy Leadership Act, which would establish a renewable energy standard (RES). The Senate Energy and Natural Resources Committee passed this legislation last summer, but the full Senate has yet to consider it. Her support for a RES led many to believe that Senator Murkowski could be a potential swing vote on any climate bill. If Senator Murkowski does not return to the Senate next year, then Senator Richard Burr (R-NC) would likely succeed her as either Ranking Member or Chairman of the Senate Energy and Natural Resources Committee. Senator Burr, who is also facing reelection, voted against the energy bill and is considered more conservative than Murkowski on energy and climate issues.

### **MASSACHUSETTS - Governor Race**

Republican Candidate Charlie Baker is criticizing Incumbent Democratic Governor Deval Patrick's support for Cape Wind, the first US offshore wind project to be constructed in Nantucket Sound. Baker is opposed to the Cape Wind project because of the alleged impacts on consumer energy costs. Governor Patrick, on the other hand, has argued that the Cape Wind project will create up to 1,000 new jobs and establish Massachusetts as a leader in clean energy.

The candidates also differ on the Regional Greenhouse Gas Initiative's (RGGI), a cooperative agreement among 10 Northeastern and Mid-Atlantic states that have established a mandatory cap-and-trade system for greenhouse gas emissions from power plants. In 2007, Governor Patrick signed Massachusetts onto RGGI, reversing a decision by the previous Governor, Mitt Romney, who argued that the plan would burden businesses and

increase energy costs for consumers. Baker is pledging to review Massachusetts' participation in RGGI if elected to ensure that it does not inhibit job growth.

Despite the Democratic lean of Massachusetts, polls indicate a relatively tight race with a recent Rasmussen Poll showing that Governor Patrick only held a 2 percent advantage over Baker. The race will be complicated by the inclusion of Independent Tim Cahill in the race. Cahill, who currently serves as the State Treasurer, could split some of the vote among those opposed to Governor Patrick, providing the incumbent with a potential advantage on Election Day.

### **PENNSYLVANIA - US Senate Race**

There is increased media attention on the Marcellus Shale; a rock formation in the eastern part of the state has abundant natural gas reserves. Supporters of increased development argue that these reserves enhance regional and national energy security, while serving as a "bridge fuel" from dirty fossil fuels, such as coal and oil, to low-carbon alternatives. Critics allege that development is threatening local water supplies, particularly through the use of hydraulic fracturing, and that additional federal regulation is necessary.

The role of the federal government in regulating hydraulic fracturing is a major issue in the Pennsylvania U.S. Senate race. Democratic Candidate Representative Joe Sestak is calling for increased federal regulation of hydraulic fracturing by EPA. Republican candidate Pat Toomey, however, is firmly opposed to any federal regulation of shale gas development. The candidates have also sparred over climate change legislation with Toomey criticizing Sestak for supporting cap-and-trade legislation.

Pennsylvania is a true battleground state, but the weak economy and declining approval ratings for President Obama and other Democrats provide Republicans with a great opportunity in this race, evidenced by a Real Clear Politics average of recent polls that shows Toomey ahead by 8.5 percent.

### **FLORIDA - Governor Race**

With Florida facing decisions about whether to fund solar programs or ramp up production of low-carbon fuels, analysts say the next governor could hold sway over the state's future energy mix. Businessman Rick Scott narrowly defeated state Attorney General Bill McCollum for the Republican nomination, and will now face Democratic candidate Alex Sink in the general election. The two candidates will likely offer vastly different policies on energy and climate issues. In July, Sink issued a 10-page plan on energy, with calls to establish task forces for a statewide renewable mandate and biofuels plan. She also promoted extensive use of tax credits to spur solar and energy efficiency programs in the state and has vowed to enact a state climate action plan. Scott, on the hand, previously stated that he does not believe in climate change. Scott has indicated his support for increased nuclear energy generation, but the campaign has yet to provide a tangible plan on energy policy. A Real Clear Politics average of recent polls shows Sink with a 4.2 percent lead.

### **OHIO -16th District Congressional Race**

Many rust-belt House Democrats, like incumbent Representative John Bocceri, supported the Waxman-Markey cap-and-trade legislation last year. Bocceri is now defending his vote against repeated criticisms from Republican candidate Jim Renacci. Many voters in Rust-belt states like Ohio fear that climate legislation would raise energy costs for businesses resulting in layoffs, particularly in energy-intensive manufacturing industries. Polls show that Bocceri is trailing Renacci. While this race will not garner nation-wide attention, it will be an important barometer of whether Democrats such as Rep. Bocceri will pay a political price for supporting climate legislation. A loss by Bocceri could be interpreted as a rebuke by voters of his cap-and-trade vote and make moderate Congressional Democrats in the future more skeptical of supporting climate initiatives.

### **ILLINOIS - US Senate Race**

Republican Rep. Mark Kirk was one of eight Republicans in the House who voted for the cap-and-trade bill last year. Kirk faced a challenge from a conservative in the Republican Senate primary, forcing him to back away from his vote. He explained that voted for the cap-and-trade bill, because it was in the narrow interest of his district. However, if elected to the Senate, he would vote against it. Kirk surprisingly defeated his primary opponent by a comfortable margin, and he will now face Democratic State Treasurer Alexi Giannoulias in the general election. Giannoulias supports a market-based approach to reducing greenhouse gas emissions. The campaign though has been dominated by ethics charges against both candidates -- Kirk regarding his military record, Giannoulias regarding his family's bank. Both candidates are seen unfavorably by voters, though Kirk holds a slight 2.0 percent lead over Giannoulias according to a Real Clear Politics average of recent polls. If Kirk is elected, it will be interesting to monitor the extent to which he is engaged in and supportive of climate and clean energy initiatives.

## **DELAWARE - US Senate Race**

Christine O'Donnell, a tea party favorite, upset Representative Michael Castle in Tuesday's Republican Senate Primary. Over the last several weeks, O'Donnell gained momentum through endorsements by Sarah Palin and Senator Jim DeMint (R-SC). Additionally, O'Donnell sharply criticized Castle for his vote in favor of cap-and-trade legislation last year. Representative Castle did not back away from his vote, though he did pledge to vote against any climate legislation during the lame-duck session. Castle, a former Governor, was considered a strong favorite to defeat the Democratic Candidate Chris Coons. O'Donnell's victory, however, improves Coon's prospects for victory and buoys Democratic chances of retaining their Senate Majority. Given O'Donnell's strong criticism of cap-and-trade during the primary, it is likely that climate change will be a major issue during the general election. O'Donnell's victory reflects the difficulty moderate Republicans, even in a Democratic leaning state like Delaware, face in winning their party's nomination. This difficulty could make Republicans more reticent to support climate policies in the future that could be subsequently used against them in primary races.

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