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Alaska Economic Benefits from Climate Change Legislation:

Here is an attempt to more exactly estimate Alaska benefits from the main cap and trade climate bills: the Bingaman-Specter (S. 1766) and the Lieberman-Warner (S. 2191) bills, a comparison is tough since while the Bingaman bill has been computer modeled, the Lieberman-Warner bill has not officially been modeled. So developing a reliable “apples to apples” comparison is difficult. But there has been private analysis done on Lieberman, so with a host of caveats that these estimates are grossly tentative, here is a preliminary comparison.

Alaska Specific Estimates:

Bingaman:

We know the Bingaman-Specter bill contains, if the computer models are correct, about \$39.8 billion for Alaska (northern latitudes) adaptation from now till 2030. The Bingaman bill also permits Alaska to qualify for perhaps another \$15 to \$17 billion in coastal aid by 2030 – if that money would be allocated based on miles of coast line. Alaska also could gain billions for low-carbon technology assistance funding since coal gasification (the Agrium or Peterson or future Usibelli projects) could qualify for aid for coal gasification and for carbon sequestration, which is an element of the Agrium project. On top of that funding, Alaska would gain funding under the existing Pittman-Robertson program for wildlife programs, under the Wallop-Breaux program for sportfish restoration and under the Land and Water Conservation programs. Based on the current allocation formulas for Pittman-Robertson, Alaska in 2009 would gain \$8.1 million a year more and \$6.76 million more for Wallop-Breaux – the state last year getting \$10.7 million from Pittman and \$17.45 million from Wallop. So the state would get about \$350 million till 2030 for wildlife programs under Bingaman.

The final area of aid for Alaska from the Bingaman bill comes from the Low-Income Assistance programs. The LIHEAP Aid to Alaska (Low Income Energy Assistance Program money) and the home weatherization funding should rise by between 50% and 60% for LIHEAP and about 25% for weatherization. Alaska currently gets about \$12 to \$14 million a year for LIHEAP and a few million dollars a year for weatherization, so the increase till 2030 is conservatively about another \$160 million more to Alaska.

The final “pot” of money is nearly identical. That is money for Rural Energy Assistance, since the Lieberman bill copies the language of the Bingaman bill that the Alaska Delegation inserted. The program takes a quarter of the low-income assistance money and places it in a fund to subsidize power costs to utilities that are not connected to the nationwide power grid and have costs that exceed 150% of the national average for electricity. That means that most all utilities outside of Anchorage, Fairbanks, Juneau, Ketchikan and Kenai would qualify for the subsidy. While no regulations have been written to dispense the money, assuming the fund is allocated on a qualifying per capita basis, Alaska utilities should get about \$120 million a year in 2009, when the total cost for utilities to buy diesel oil in 2006 was \$93 million. That subsidy money can go to build “low-carbon” power projects to cut costs permanently or to reduce existing rates. The total value of the fund to Alaska through 2030 could be about another \$2.8 billion to help reduce electricity costs.

Also the bill gives the State a part of 9% of the allowances either to give to industries to cut costs, or to sell to generate money that the state could use to offset the impacts of the bill on consumers or the poor. The state’s share of allowance credits are forecast to be worth about \$19.1 million in 2012 rising to about \$73 million a year by 2030. That is the equivalent of another \$850 million roughly that the state will receive, but how it would be used is up to the Alaska Legislature.

So the total value to the State of the Bingaman bill that the Delegation co-sponsored could be about \$66 billion just to 2030.

Lieberman bill:

The Lieberman is far more complicated to assess. Based on the CATF modeling , states also would gain about 9% of the credits to use to offset the bill’s costs. Given the estimates that the Lieberman bill will cost about 2.5 times more a year, the state’s share of allowance revenues might well be \$2.1 billion or more till 2030. But since Lieberman provides no special adaptation funding for northern climates, it effectively expects states to use some or all of that revenue from allowances to pay for state adaptation repair costs, from road and sewer lines to port and harbor repairs.

The Lieberman bill does put more funding into Energy Technology Deployment (50% compared to just 12% under Bingaman). Given the larger amount of auction revenues that Lieberman will generate -- \$125 billion through 2030 compared to just \$75.2 billion for Bingaman – Alaska could get more than the estimated \$5 billion that Bingaman might provide the state. But there is no set amount required to go to the state, all of the grants subject to competitive bidding through DOE. So there is no way of knowing exactly what Alaska might get, so for this effort I’m assuming the same amount as under Bingaman, \$5 billion.

In adaptation the bill also does allocate ½ percent of auction allowances – that once sold -- should produce about \$500 million a year for tribal village relocation expenses. That could provide Alaska tribal villages about \$11.5 billion through 2030 for relocation expenses, but

given the current definition of tribal village those funds will be limited in where they can be used and in how they can be used.

The Lieberman bill does put 20% of a far larger auction account into adaptation, but limits the use of the funds generally to wildlife programs. CATF modeling predicts that Lieberman will provide about \$82 billion nationwide in extra Pittman-Robertson fishery funding through 2030. If the money is allocated under the existing formula, Alaska should get 58% more funding than under Bingaman, so the state should get about \$260 million in additional funds through 2030. But since Lieberman doesn't fund Breaux-Wallop fisheries aid the state on net should get less than under Bingaman. The Lieberman bill does fund forest wildlife programs, not funded by Bingaman, but the bill gives no way of estimating how much might be awarded for Alaska projects in the Tongass and Chugach National Forests.

The Lieberman bill does provide separate funding for coastal erosion projects, which might be of benefit to Alaska. The \$10.25 billion fund, through 2030 based on CATF modeling, could provide Alaska \$4.3 billion through 2030, if awarded on a similar per coastal mile formula as might the Bingaman bill.

The Lieberman bill also contains a separate \$10.25 billion fund for displaced workers. Since Alaska would have some displacement in coal mining and refineries, some amount of that aid could go to the state. As a pure guess I'm predicting that Alaska might gain \$100 million of worker assistance aid from the bill through 2030.

The two bills, Bingaman and Lieberman as previously noted, have identical aid language for rural high-cost energy assistance, but the Lieberman base is 2.5 to four times higher so it is likely that Alaska could get more for electricity subsidies under Bingaman. But since it will be impossible to spend all of that money in Alaska on energy unless it is given away, there probably will be little practical difference between the two bills on rural energy assistance in the State, so for this estimate let's assume the State's utilities through 2030 will receive \$3 billion, instead of \$2.8 billion under Bingaman. For LIHEAP, however, the Lieberman bill provides nearly 4 times more money than Bingaman, the same as it does for weatherization. So a rough estimate is Alaska will gain about \$640 million more through 2030, compared to the \$160 million in Bingaman, if the currently funding formula is maintained.

Concerning higher education, the Lieberman bill currently has no research funding specifically earmarked in the technology section, while the Bingaman bill allows Alaska to spend 5% of its \$39 billion of adaptation funding for climate research, about \$2 billion till 2030. But that is not new money so is excluded from either comparison.

Summary:

So overall the Lieberman bill might provide Alaska \$26.9 billion through 2030, about 40% of potential revenues (\$66 billion) from under Bingaman, but far less of that is guaranteed to go to the state than under Bingaman. Obviously these estimates are subject to substantial revision once more formal modeling is done, but they are the best estimates that I can give right now.

Senator Murkowski did draft amendments to the Lieberman bill that were offered by Senator Craig during markup in EPW to create a 12.5% adaptation fund for road, sewer line, port and other community infrastructure repairs and a 3% fund for higher education. The amendments would have set aside a \$24.6 billion fund for infrastructure repairs, of which Alaska might have qualified to gain \$3 to \$6 billion in a competitive process, if the estimates of need by the University of Alaska's Institute of Social and Economic Research prove correct. The education fund would have generated \$8.4 billion nationwide through 2030, of which Alaska might have gained hundreds of millions on a competitive basis. But the amendments were not adopted by the EPW.

Conclusion:

The take home message is that it will be difficult to pass a climate change bill this Congress, but the Lieberman-Warner bill will likely come to the floor of the Senate late this spring or early summer. Eventually climate change legislation will pass and the Alaska delegation will be working hard to make sure that Alaska will get its fair share of any funds to mitigate impacts from climate change, for adaptation, coastal erosion and research.

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