

# Duke Double-Speak

Duke Energy's Approach  
to Climate Change

**Clean Air Watch**

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# ***Duke Energy's Approach to Climate Change***

Jim Rogers, President and CEO of Duke Energy, has become one of the most prominent industry voices calling for the regulation of global warming pollution from power plants and other sectors of the economy. Not only does Rogers advocate a cap-and-trade system, like that adopted in Europe, but he also proposes a “surcharge” on all electricity use to fund low carbon technology research and development.<sup>1</sup> Rogers has testified before Congress calling for mandatory regulation of greenhouse gases; Duke Energy is a member of the U.S. Climate Action Partnership, which supports a mandatory economy-wide approach to climate change; and Rogers is a regular on the conference circuit calling for action on global climate change.<sup>2,3,4</sup>

As an outspoken advocate of climate policy action, Rogers is to be commended for bringing attention to this issue, particularly as evidence of the threat of global climate change continues to mount. However, as one of the largest producers of global warming pollution, Rogers’ policy prescriptions warrant special scrutiny. In making his case for action, Rogers includes a very important caveat: regulate greenhouse gases, but regulate in a way that ensures that the American taxpayer foots the bill for cleaning up the company’s aging and high emitting power plants.

Rogers’s sleight-of-hand lies in his proposal for distributing the emissions permits (allowances) under a greenhouse gas cap-and-trade program. According to Rogers, Congress should stick to the grandfathering approach that was used more than two decades ago when it established the Acid Rain program, by which he means giving allowances away for free to companies based on their proportional share of historic CO<sub>2</sub> emissions.<sup>5</sup> Duke Energy just happens to be the third largest emitter of greenhouses among all U.S. corporations and would therefore receive a substantial share of allowances based on this methodology – a veritable windfall.<sup>6</sup>

Rogers argues: “Let’s keep it simple and use what we know will work.”<sup>7</sup> What he neglects to mention is that, based on this approach, Duke Energy would receive an allocation valued at more than \$2.0 billion annually (equivalent to 10% of the North Carolina state budget), which the company’s unregulated generating assets will use to drive up company profits while at the same time raising consumer electricity costs, precisely the issue that lead to criticism, and ultimately modification, of the European Union’s cap-and-trade system.<sup>8</sup> Duke Energy has approximately

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<sup>1</sup> Jim Rogers, Commentary: Climate Change Legislation Should Not Be Punitive, Energy Daily. February 29, 2008.

<sup>2</sup> <http://www.duke-energy.com/about-us/de-chairman-senate-062807.asp>

<sup>3</sup> <http://www.us-cap.org/>

<sup>4</sup> <http://www.csrwire.com/News/11182.html>; <http://www.duke-energy.com/pdfs/NCSE-remarks-1-17-08.pdf>; <http://link.brightcove.com/services/link/bcpid203719194/bctid1442424525>

<sup>5</sup> Jim Rogers, Commentary: Climate Change Legislation Should Not Be Punitive, Energy Daily. February 29, 2008.

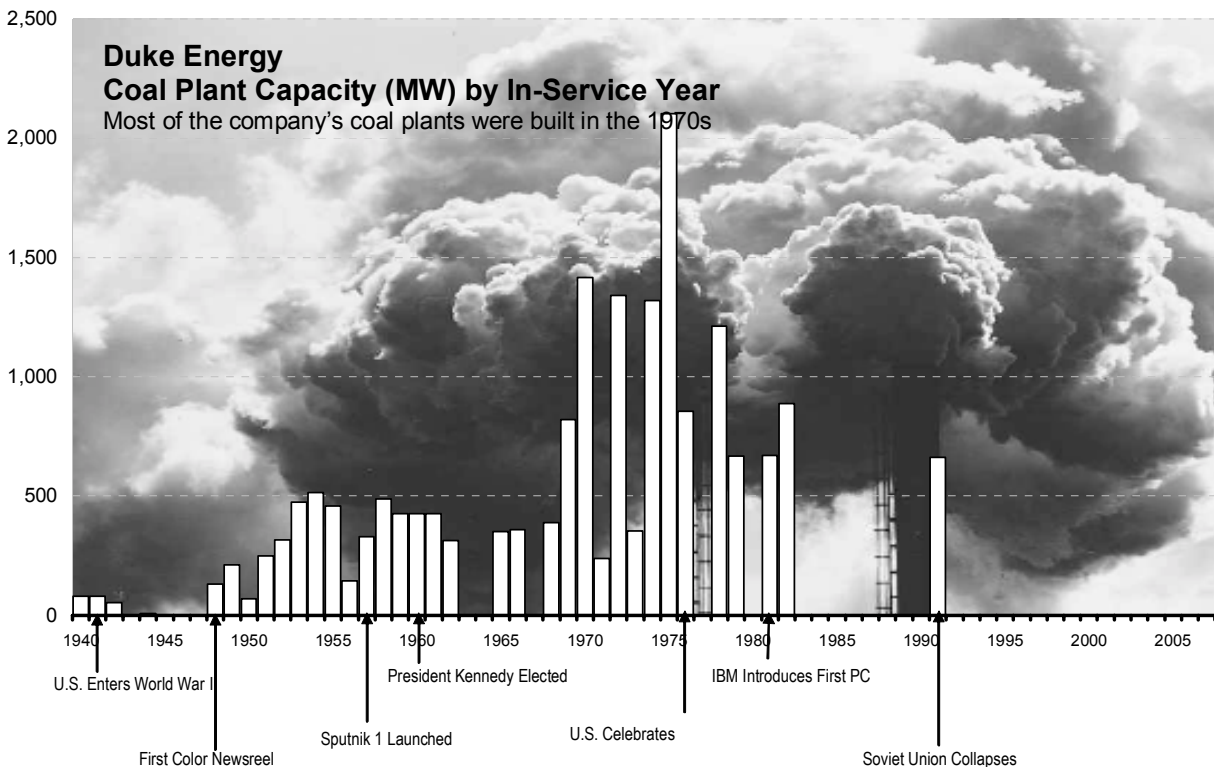
<sup>6</sup> <http://www.duke-energy.com/pdfs/NCSE-remarks-1-17-08.pdf>

<sup>7</sup> Jim Rogers, Commentary: Climate Change Legislation Should Not Be Punitive, Energy Daily. February 29, 2008.

<sup>8</sup> Duke Energy’s 2007|2008 Sustainability Report reports that the company produced 102,200 thousand tons of CO<sub>2</sub> emissions in 2006. If the company received an allowance allocation of this amount and

8,100 megawatts of unregulated generation in the Midwest, including coal-, oil-, and natural gas-fired power plants.<sup>9</sup> Allowances allocated to these facilities will not benefit consumers, as one might be led to believe by Roger's statements.

Duke's coal-fired power plants average 38 years of age (weighted by capacity), suggesting that most are fully depreciated assets. Between 2006 and 2007, Duke's CO<sub>2</sub> emissions increased by 6.2% due to the increased utilization of its coal fleet. In 2007, Duke's U.S. generating fleet released 108,500,000 tons of CO<sub>2</sub> to the atmosphere. This is equivalent to the total emissions of about 18 million cars. Over the past three years, Duke's U.S. generating fleet released 315,300,000 tons of CO<sub>2</sub>.



Rogers argues that his approach is necessary to protect consumers from higher electricity costs...that we should put customers first.<sup>10</sup> However, in making his argument, again, he glosses over the fact that his preferred regulatory approach serves primarily the interests of his company shareholders, not electricity consumers. If Rogers was genuine in his desire to protect electricity consumers—and not just those in his service territory—he would look to the approach proposed by Senators Lieberman and Warner in the Climate Security Act whereby a portion of allowances

prices ranged from \$20-\$30 per ton, as forecast by EPA in the initial years of the Lieberman-Warner Climate Security Act, Duke Energy would receive a total allocation valued between \$2.0 and \$3.0 billion – between \$16 billion and \$24 billion under the first eight years of a federal program. +

<sup>9</sup> <http://www.duke-energy.com/about-us/power-plants.asp>

<sup>10</sup> Jim Rogers, Letters to the Editor, Energy Daily. March 14, 2008.

are specifically directed to consumer benefit and end-use energy efficiency. Instead, Rogers refers to the Lieberman-Warner bill as a “bastardized” version of cap-and-trade, while at the same time advocating the exact policies that failed electricity consumers in Europe.<sup>11</sup>

Rogers argues that cap-and-trade based regulation is “not about punishing people for making decisions 40 years ago”.<sup>12</sup> However, nor should it be about rewarding the biggest polluters and preserving the status quo. If companies want free allowances, they should earn them by investing in renewable energy technologies, carbon capture and storage technology, and energy efficiency. If Congress is seeking to use allowances to mitigate costs to consumers, it should direct allowance value to consumers. Giving allowances to Duke and other large emitters isn’t the way to protect consumers. It would essentially reward the major polluters which have for several decades played a substantial role in contributing to the build up of CO2 in the atmosphere.

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### **Will the Real Jim Rogers Please Step Forward**

As a member of the U.S. Climate Action Partnership, Duke Energy calls on the federal government to “quickly enact strong national legislation to require significant reductions of greenhouse gas emissions.”

The U.S. Chamber of Commerce has lambasted the leading Congressional climate change bill with an aggressive ad campaign. Jim Rogers is a member of the Chamber’s Board of Directors.

Jim Rogers states that “we must be responsible stewards of the environment and our communities.”

Duke Energy sues EPA to try killing the Clean Air Interstate Rule, which EPA estimates will generate \$85 to \$100 billion in health benefits by 2015. If Duke wins, thousands of Americans may die prematurely.

Jim Rogers proposes a tax (or “surcharge”) on all electricity use to fund low carbon technology research and development.

Jim Rogers disparages proposal in Lieberman-Warner bill to auction allowances: “We should be clear—an auction of allowances is a carbon tax.”

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<sup>11</sup> Jim Rogers, Commentary: Climate Change Legislation Should Not Be Punitive, Energy Daily, February 29, 2008.

<sup>12</sup> [http://seattletimes.nwsources.com/html/nationworld/2004014933\\_carbonmap15.html](http://seattletimes.nwsources.com/html/nationworld/2004014933_carbonmap15.html)