

Nebraska Public Power District
Statement on Addressing the Challenge of Global Climate Change

There is growing concern worldwide that human activities are changing the earth's climate. There seems to be less debate within the scientific community over whether or not global warming is occurring, and more focus on whether the warming is attributable to natural or human-induced causes, the potential extent of the warming, and what effect the warming will have on the environment.

Scientists are actively studying the link between human-produced greenhouse gas (GHG) emissions and the climate system, but there is still a lot to learn. Because of the complexity of the issue, the science of global warming will be debated for years to come. Fossil fuels are the largest source of man-made greenhouse gas emissions. Any effort to reduce global emissions must address fossil fuel use. Since the world relies on fossil fuels for most of its energy needs, climate change policy should reflect the continued importance of fossil fuels on the world's economic and social well-being.

Nebraska Public Power District recognizes the growing public concerns about global climate change and believes that the development and deployment of new technologies for the production and more efficient use of energy should be an essential element of our national climate change strategy. In addition, tax-exempt utilities must be able to receive incentives for renewable energy, energy efficiency, nuclear energy and advanced coal technologies comparable to those available to taxable entities.

NPPD is committed to representing our customers' concerns in public policy debates on climate change. In our view, federal and state policies should be guided by the following principles that aim to slow, stop, and then reverse the increase in U.S. greenhouse gas emissions.

Focus on technology development and deployment. Federal policies should provide stable and long-term funding, and other support for research, development, and deployment of more efficient generation, distribution and end-use technologies and technologies for cost efficient carbon capture and sequestration.

Reasonable targets. Whether Congress decides to pursue a market-based cap-and-trade program or a greenhouse gas fee program, the program should be based on targets that recognize the limitations of currently available technology and provide reasonable transition periods to avoid undue cost impacts on consumers.

Broad in scope. Climate change policies should apply to all sectors of the economy, include all greenhouse gases, and not impose a disproportionate burden on any one sector of the economy.

Cost containment. To allow for planning and to minimize volatility of compliance costs, a market-based program should have a "safety-valve" price cap and include other cost containment features, such as the use of

Nebraska based emissions offsets where possible, and banking and borrowing.

Allowance allocations. It is important that allowances be allocated to existing coal-fired generation in sufficient amounts to minimize unreasonable increases in electricity rates and significant fuel switching from coal to natural gas.

Fuel diversity. Our national climate change strategy should flow from a national energy policy that is designed to ensure diversity and sustainability of fuel sources used in generation and pursues the optimum use of coal, nuclear power, or any other fuel/energy source readily available.

NPPD is currently engaged in voluntary actions that lower the greenhouse gas emission intensity of the electricity it produces and will be developing an initial plan to address the challenge of balancing our customers' competing concerns about global climate change and the cost of energy. The plan will be based on our core public power values, which include being good stewards of the environment and conserving our natural resources, while providing reliable and low cost electricity to the customers we serve.

The central focus of the plan will be to take cost-effective actions that reduce our greenhouse gas emissions, such as:

- Developing and maintaining a comprehensive inventory of our system-wide greenhouse gas emissions.
- Incorporating a "shadow" CO₂ price in our business planning processes in order to recognize the potential cost of increasing or decreasing our GHG emissions under possible future mandatory climate change programs.
- Improving, when feasible, the performance of our existing electric generating units through efficiency upgrades and other measures that reduce or avoid greenhouse gas emissions.
- Investing in end-use energy efficiency and renewable energy resources.
- Investigating technology opportunities for new generation resources and improvements to existing generation resources that are cost effective and reduce our greenhouse gas emissions.
- Developing the expertise and cultivating opportunities to reduce or offset greenhouse emissions.
- Investing in research to develop new solutions to these technologically challenging issues.

Our goal will be to position NPPD to develop, wherever possible, local projects for reducing greenhouse gas emissions in a manner that enhances the environment and economy of Nebraska.