



MEMORANDUM

TO: National Rural Electric Cooperative Association

FROM: Lauer Johnson Research

DATE: April 20, 2009

RE: Research Findings on Climate Change, Electricity Usage and Cost, and Cap and Trade Auction Legislation

INTRODUCTION

This memo highlights the significant findings of a recently completed national survey assessing opinions on the issues of climate change, electricity usage and cost, and cap and trade auction legislation. It is the second in a series of surveys conducted on behalf of the National Rural Electric Cooperative Association (NRECA) by Lauer Johnson Research (LJR).

SUMMARY

American families are facing unprecedented economic challenges. Throughout the survey, respondents again and again cite the need to keep their electricity bills as affordable as possible and they wholeheartedly reject using cap and trade auction legislation to fund tax cuts and other programs. Key findings include:

- Respondents overwhelmingly agree that Congress should not enact any legislation to combat climate change without first knowing the impact the legislation will have on the cost of electricity.
- Respondents say that when considering climate change legislation, Congress must work to keep electricity bills affordable by focusing only on meeting climate change requirements and not raising revenue for other purposes, such as funding tax cuts or other government programs.

- Families are struggling economically right now and even a small increase in their household electric bill will force them to cut back in electricity use or elsewhere in their household spending.
- There is strong opposition to allowing speculators to play a role in setting the price of electricity.
- Respondents are skeptical that any funds generated through cap and trade auction legislation will fund a tax cut or address global warming as they are intended. Thus, there is a call for government accountability on a cap and trade auction.
- Respondents believe the government is passing the buck on raising taxes to electric utility companies.
- Respondents voice some concern about global warming and climate change, but the issue is far outpaced by concern about the economic stress facing families today and as such, there is not a consensus to immediately address global warming and climate change.

THE COST OF ELECTRICITY

A substantial 77% of respondents indicate they have seen their electricity costs go up in the past two years. Thirty-one percent have had their costs go up a lot, 46% have experienced smaller increases and prices have gone up uniformly across all regions and areas of the country. Despite these increases, however, respondents do not currently express outrage with their electricity costs – 55% say they are satisfied with the price they pay for electricity and 41% voice dissatisfaction.

Respondents are, however, on the brink of being unable to handle further increases. When we test two potential monthly electricity bill increases that observers indicate are possibilities if cap and trade auction legislation is enacted, majorities of respondents say such increases would cause financial hardship. Fifty-five percent of all respondents and 69% of working/lower class families say a \$20 increase in their monthly electric bill would cause financial difficulty for their household. The impact of a \$50 increase is more dramatic with a whopping 78% of all respondents saying a \$50 increase would be a hardship. The consequences of a \$50 monthly increase would be the most difficult for working/lower class families and seniors, but it is worth noting that even one-half of upper/upper middle class respondents indicate that a fifty dollar increase would affect their household budgets.

After testing reaction to the potential financial impact of cap and trade auction legislation, we asked respondents directly if they would be willing to pay more on their electricity bills to address climate change. In one of the most compelling findings of the survey, 58% of respondents say they are unwilling to pay any more than they currently pay for electricity to combat climate change. This is a 23% increase in those unwilling to pay more since 2007. In addition, not one respondent indicated a willingness to pay over 20% more on their monthly electricity bill to combat climate change. Working/lower class and age 65+ respondents are the least willing to pay more, but substantial percentages of all classes and age cohorts indicate they do not want to see their electric bills increase by even one dollar for the purposes of combating climate change.

Despite their unwillingness to pay more, respondents are aware that climate change legislation will likely cause their electricity rates to go up. Respondents are more fearful about the increases now than they were two years ago. Currently 37% of respondents say climate change legislation will cause rates to go up a lot, while in 2007, only 26% anticipated a big increase.

Yet another indication of respondents' current inability to pay anything to combat climate change is the 68% who disagree with the idea that Congress should enact a carbon tax to encourage consumers to cut back on their electricity usage. In addition, one-half (50%) of the country opposes enacting a carbon tax to fund energy research, which represents an amazing 49-point shift (22% drop in agree; 27% increase in disagree) away from supporting a carbon tax for energy research in 2007.

CAP AND TRADE AUCTION

Respondents were presented with a lengthy question outlining the main components of the administration's cap and trade auction plan, including putting a cap on carbon, establishing an auction market that allows participation by speculators, and using the majority of the funds generated for tax cuts, with the rest going to energy research. After hearing this description, respondents oppose the measure by a two-to-one margin, with 26% support, 52% oppose and 21% undecided or not sure.

We followed this question by asking respondents to indicate the likelihood of potential outcomes if cap and trade auction legislation is enacted. Even though 63% of respondents indicate they follow the global warming issue at least somewhat and a majority think global warming is a problem, reaction to possible outcomes demonstrate a belief that the administration's cap and trade auction plan goes too far and that legislators must keep affordability in mind as they are working to address climate change and global warming. For example,

over 60% of respondents say it is likely they will be forced to cut back their electricity use in order to be able to pay their bills, but only 34% believe revenues will be used to pay for a middle class tax cut and only 29% say cap and trade auction legislation is likely to slow global warming. Over 70% of respondents say it is likely that the poor and middle class will have trouble paying their electric bills, bills will be dramatically higher and families will have to cut back elsewhere to afford their electricity.

In addition, respondents are distrustful of speculator participation in a cap and trade auction. Over 75% of respondents are concerned about allowing speculators to control prices and agree that Congress should prohibit speculators from participating. Respondents also indicate a belief that a cap and trade auction will lead to more federal government spending.

THE GLOBAL WARMING AND CLIMATE CHANGE ISSUE

Climate change is not a top of mind concern these days. In fact, interest in protecting the environment and fighting climate change has dropped from a low priority (8%) in 2007 to receiving virtually no attention (3%) in 2009. Not surprisingly, the economy and jobs dominates respondents' issue priorities, with fully 73% focusing on the economy; health care is a distant second at 17%. Despite the fluctuations in gas prices since 2007, concern about gas/energy prices has remained consistent at only 11%.

A recent CBS News/New York Times Poll¹ also shows that health care is a higher priority than energy prices. When the economy is taken out of the mix, health care, education and Social Security all beat out energy as issue priorities. A 2008 Gallup poll reiterates that voters are more concerned about health care than energy or the environment. Here, notably more respondents worry a great deal about health care affordability than either energy costs/availability or the quality of the environment.²

There has also been a slight drop in the level of seriousness respondents voice about the global warming/climate change problem. In 2007, 76% said global warming/climate change was very or somewhat serious, compared to 69% this year. Most importantly, there has been a 5% drop in the number saying it is a very serious problem and a 6% increase in the number who say global warming/climate change is not serious at all.

Both this survey and a recent Gallup Poll have found that for the first time in Gallup's 25 year history of asking Americans about the trade-off between environmental protection and economic growth, a majority of Americans say economic growth should be given the priority, even if the environment suffers to some extent.³

METHODS

The survey was conducted with 807 registered voters nationwide from April 2-7, 2009. The sample was derived from an updated list of adults in the continental United States. Respondents were screened to insure they are currently registered to vote. Findings applying to the 807 sample are subject to sampling error of plus or minus 3.5%. Other subgroups of the sample are subject to error of up to plus or minus 10%. Appended to this memo are a set of graphic charts and the topline questionnaire. When applicable, current results are compared to results from a September 2007 national survey of 1,000 registered voters LJR conducted on behalf of NRECA.

1.CBS News/New York Times Poll, April 1-5, 2009. N=998 adults nationwide. MoE \pm 3.

2.Gallup Poll. March 6-9, 2008. N=1,012 adults nationwide. MoE \pm 3.

3.Newport, Frank, "Americans: Economy Takes Precedence Over Environment. First time majority has supported economy in 25 years of asking question," 19, March 2009, <<http://www.gallup.com/poll/116962/Americans-Economy-Takes-Precedence-Environment.aspx>>.