

# How can President Biden tackle Climate Change?

## The challenges Biden will face in reducing greenhouse gas emissions



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### Key points

- President Joe Biden has pledged to return the US to the top-tier of nations attempting to mitigate climate change
- Though elected with the second-most popular vote in three decades, Biden's majorities in Congress are slim. This presents difficulties in passing primary climate legislation, unless more extreme measures are taken
- The administration may also find it more challenging to tighten regulations regarding emissions than before
- Biden can play an important role in highlighting the scientific facts which illustrate the need for more action - as well as some of the solutions on offer
- US public opinion is firmly in favour of the Federal government taking more action – two-thirds think more should be done, including a majority of liberal and younger Republicans
- A rich community of sub-national actors have already committed to significant actions to reduce greenhouse gases. This alone however is unlikely to be enough

The last four years has seen a meaningful acceleration in individual nations' commitments to reduce greenhouse gas (GHG) emissions. Sweden, in 2017 and then Denmark, in 2018, were the first countries to legislate for carbon neutrality by 2045 and 2050 respectively. They were followed by the UK in 2019 with a 2050 target. Since then many others have come on board with Germany, France, Italy, Spain, Japan, Canada and Mexico all committing to carbon neutrality by 2050. In 2020 China pledged to see a peak in GHGs by 2030 and reach carbon neutrality by 2060.

Over the same four years however, the US has once again<sup>1</sup> changed course on climate change with former President Donald Trump taking the US out of the Paris Agreement and easing many of the Obama-era regulations on fuel efficiency and other environmental regulations. President Joe Biden has campaigned on returning the US to the international mainstream by committing to a 2050 carbon neutrality target and re-joining the Paris Accord. This note reviews the options open to him to deliver on this mandate. We examine the difficulties in delivering climate legislation given that Congress is only delicately poised in the Democrats favour and many Republicans are refusing to recognise a need for action. We also consider shifts in US voter preference, with 67% of Americans now believing the Federal government is doing too little. We also examine the rich network of sub-national US actors still committed to tackling climate change.

<sup>1</sup> In 2000 President G. W. Bush refused to sign the Kyoto Protocol that had been negotiated by the Clinton administration.

## US GHG emissions: A quick background

Before considering the challenges the new President faces, below is a brief summary of the US's role in global GHG emissions.

### Exhibit 1: Absolute GHG emission by major economy

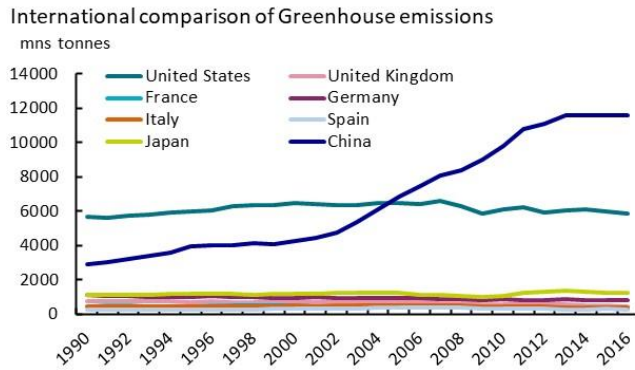
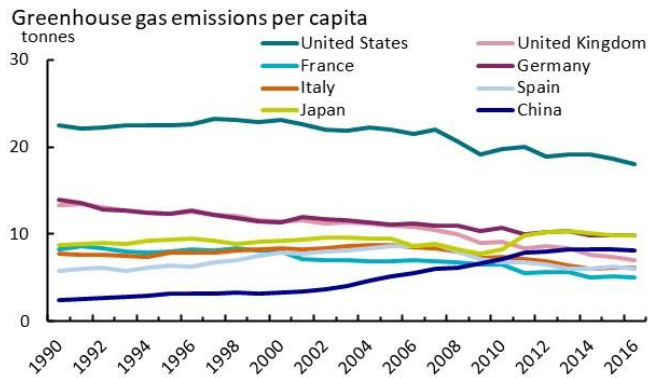


Exhibit 1 shows that the US is not the world's current largest emitter of GHGs, with China overtaking that mantle in 2005 and now emitting nearly twice as much as the US. According to the US Environmental Protection Agency (EPA), the US produces 15% of global GHG emissions.

### Exhibit 2: GHG emissions per capita by major economy



The US is, however, the world's largest GHG emitter by head of population (Exhibit 2). Of the major economies, the US is followed by Russia (not shown) and then Japan. China overtook the European Union in per capita emissions in the early 2010s, and over the last decade drifted from parity with the least polluting, towards the most polluting of European nations.

The latest available US GHG data runs to 2018. (Exhibit 3) US emissions fell around 2010, partly reflecting the drop in output associated with the 2008-2009 financial crisis but have since levelled out. The dotted lines indicate a straight-line reduction in GHG emissions to climate commitment targets – the 26% to 28% reduction from 2005 levels that the Obama administration proposed in the Paris Accord – subsequently abandoned; and Joe Biden's campaign promise

of carbon neutrality by 2050. The US would need to reduce GHG emissions by some 1,200 to 1,350 million metric tons (mmt) from 2018 levels to reach President Barack Obama's 2015 Paris Accord ambition.

### Exhibit 3: US GHG emissions and climate targets

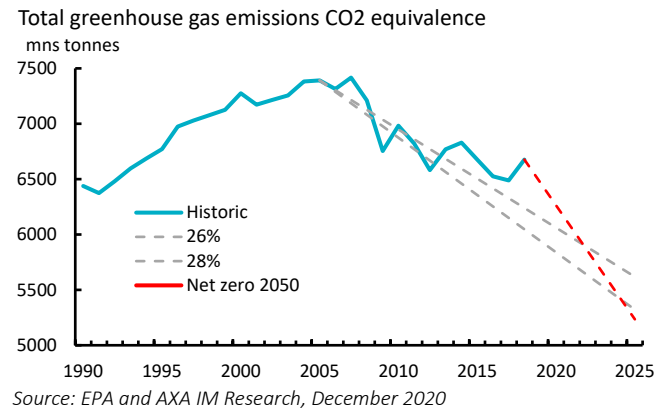
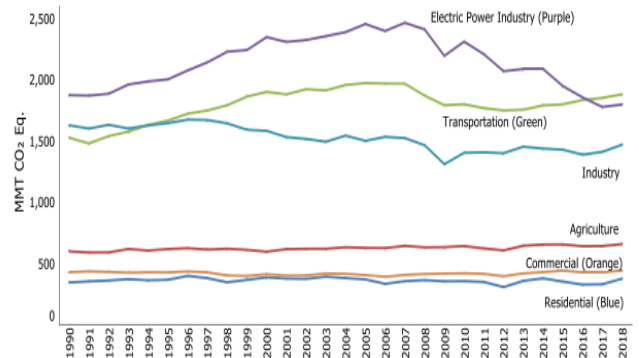


Exhibit 4 illustrates the emissions of US GHG emissions by sector. Most of the reduction in GHG emissions around 2010 has come from the electric power industry. In turn, this has coincided with the increased gasification of the US power grid with output from coal-fired electricity generation halving over the past decade, mostly replaced with natural gas production, although there has been a modest increase in renewable output over the period as well. This trend could well continue over the coming years. However, a simple extrapolation of trends suggests that by circa 2030, coal-fired generation should basically have ceased and a straight replacement by gas generation alone would likely reduce GHG emissions by around 600mmt by the end of the decade, far short of what is required.

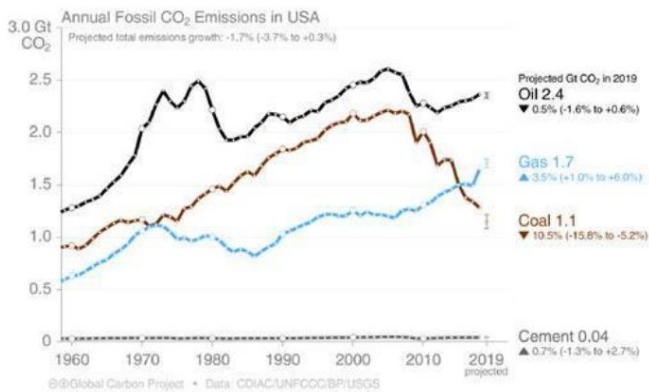
### Exhibit 4: US GHG emissions by sector

Figure ES-14: U.S. Greenhouse Gas Emissions Allocated to Economic Sectors (MMT CO<sub>2</sub> Eq.)



Electricity production is an intermediate outcome – only produced for use in other sectors. Attributing emissions into final uses, industry has contributed to a consistent reduction in GHG emissions over the last two decades. There have also been recent, though smaller declines in emissions in residential and commercial sectors. However, transport emissions have continued to rise since 2013.

## Exhibit 5: US GHG emissions by fuel source



Source: Global Carbon Project, Dec 2020.

Consistent with the rise in transport sector emissions, Exhibit 5, illustrates emissions by fuel source. The drop in coal use is apparent, as is the associated rise in natural gas. However, we also note that oil use has begun to rise again after a marked drop at the start of the last decade. With oil all but eliminated in electricity production this reflects increased transport sector usage but spells out a large dependence on oil (comparable EU oil emissions stand at 1.5mmt). This is one reason why US oil and gas firms are facing more pressure to change from investors and activists. In 2020, Blackrock put pressure on Exxon to change its board structure, albeit this change did not take place.

### A clear vision to meet these challenges

President Biden campaigned on a clear platform to address these climate change challenges and accelerate the reduction in US GHG emissions. Receiving the biggest popular vote win since Obama in 2008 – and hence the second biggest in over 30 years – the new President has a mandate to deliver. While Biden’s manifesto was detailed and specific in the measures he would address (see Appendix A), the following summarises his goals:

- Re-join the Paris Accord on day one of his Presidency
- Transform US energy production to net-zero carbon by 2035
- Commit the US by law to net-zero carbon emissions by 2050

These are clear and ambitious targets that would return the US to the topflight of countries legally committed to averting further climate change.

President Biden has proposed an experienced team to take forward his climate goals. Gina McCarthy, the former head of the US Environmental Protection Agency (EPA), will become the effective Climate Tzar as Head of the Natural Resources Defence Council and Brenda Mallory will chair the Council on

Environmental Quality, having served as general counsel at the EPA. Michael Regan, an environmental regulator from North Carolina will head the EPA, while former Secretary of State John Kerry will serve as International Climate Envoy. Staffing these key roles with experienced professionals should help the administration begin to address Climate Change quickly and effectively. However, the Biden administration will face numerous challenges in trying to deliver this ambitious agenda.

The US has not passed a single piece of major environmental legislation since the Oil Pollution Act in 1990. And even this only created a fund from oil tax receipts to cover any future costs of oil spills, rather than any proactive environmental protection.

Although the Democrats have majorities in both Chambers of Congress, these majorities are slim, particularly in the Senate where the 50-50 split only grants a Democrat majority by virtue of Vice President Kamala Harris’ casting vote. This Senate majority will not unlock the gateway to legislation. Senate rules mean that most new legislation requires a super-majority of 60 to ensure the passage of legislation<sup>2</sup>. The Democrats will be far short of this required super-majority and the prospect of finding 10 moderate Republicans will prove a major challenge. Only through legislation will Biden be able to deliver on his goal of an ‘enforceable’ commitment – anything short of these risks simply being overturned by the next administration.

The balance of the Supreme Court may also prove a challenge to the implementation of new regulations. President Biden will inherit a Supreme Court with six members appointed by Republican majorities and three by Democrats. In truth, this balance has been more skewed historically and even President Obama faced a 7-2 skew when he first took office. What remains to be seen is whether a more partisan streak emerges from the Court. The Supreme Court has intervened in regulatory cases before, most recently in 2015, when it made it much more difficult for the EPA to regulate against excessive emissions of toxic substances without considering a cost-benefit analysis. In summary, there is a risk that the Supreme Court could block even a regulatory approach to reducing GHGs.

### Biden’s options

**Legislation.** The gold standard to delivering Biden’s climate change goals would be to pass bipartisan legislation. This would represent a considered compromise that both parties – and by implication – voters could live with. It would reduce the risk of a change in direction under a different, future administration and it would allow legal enforceability. Such an approach will not be easy.

<sup>2</sup> Senate votes pass with a simple majority, but most require the acquiescence of at least 60 senators to move beyond debating a bill to a formal vote. Blocking legislation in this manner is referred to as a filibuster.

The Obama administration attempted to craft a bipartisan approach to deliver healthcare reform. Democrat policymakers leaned heavily on Republican think-tank research (e.g. The Heritage Foundation) in terms of crafting a healthcare system that could appeal to Republicans. Nevertheless, Obamacare – as it became known – still failed to attract any Republican support in the Senate, only passing as the Democrats managed to gain 60 Senate seats to avoid a filibuster. It has subsequently been vilified by many Republicans and the Trump administration has put forward measures to deconstruct aspects of it since. Obamacare has not served as a good example as to why a bipartisan approach should be attempted.

Moreover, President Biden will not be in a position to follow this route. As described, his Senate majority is 50, not 60. Additionally, the distance between Republican and Democrat voting on environmental issues is far apart. The League of Conservation Voters (LCV) track Congressional votes on environmental policy. They show that Senator Susan Collins (Republican, Maine) has voted the most often for environmental policy of all Republicans in the Senate, voting to support 61% of bills. The closest next three Republicans are Senators Lamar Alexander (21%), Rob Portman (20%) and Cindy Hyde-Smith (19%). By contrast, the Democrat with the lowest votes for environmental bills is Senator Joe Manchin (49%), followed by Kyrsten Sinema (77%) and Doug Jones (82%). There is a stark difference in voting positions. Notably Business Insider<sup>3</sup> reported that 32 of the 50 Republican Senators are on record denying anthropogenic climate change. Finding compromise in the Senate looks difficult.

**Inclusion in must-pass policy.** Failing broader legislation, President Biden could attempt to pass climate change investment as part of a broader stimulus or spending package. Indeed, President Obama included around 10% of his 2009 \$787bn stimulus package in green funding. Including stimulus in part of a must-pass spending bill would likely lower the voting hurdle to a simple majority. However, Biden's manifesto commitments go beyond simple investment. Moreover, Princeton University has estimated that to achieve Biden's Climate goal of carbon neutrality by 2050, the US would have to invest \$2.5tn by 2030<sup>4</sup> – far in excess of the funding which could hope to be secured this way.

Nevertheless, a large-scale spending commitment is part of the solution. Biden's manifesto had earmarked a significant increase in infrastructure spending of some \$2.3tn, including nearly \$0.9tn in transport infrastructure and \$0.5tn in clean energy investments. A path to passing a large tax and spending bill lies open to Biden through 'reconciliation', something that only requires a simple majority. This has been a favoured route to pass legislation in recent times including President Trump's tax cut package (TCJA) in 2018. We suspect that after a short-term stimulus bill for 2021, Biden's legislative agenda will

focus on delivering this longer-term bill, which would likely prove his biggest legacy. The complexities of reconciliation will see this bill take time to deliver and we would expect such a bill to pass only next year, ahead of the 2022 Midterm Elections. As such, we see this as the best chance for long-term action to mitigate climate change.

**Executive orders and regulations.** There are a range of possible individual changes that can be enacted without Congressional approval. These include regulatory changes overseen by agencies, for example including fuel standards as enforced by the EPA or areas where the President has scope to act unilaterally, for example re-entering the Paris Accord. However, the difficulties with this approach are that it is slow to deliver results, insufficient in what it delivers and reversible by future administrations. This has created the see-saw pattern of US regulation witnessed over recent decades. This has been exemplified by the President Trump's (almost) final acts of passing expedited regulations to freeze ozone and soot limits, set aircraft fuel efficiency standards for 2028, restrict the use of scientific studies and increase the requirements for cost-analysis of regulations. Much of the EPA's first years under the Biden administration is likely to entail reinstating or tightening Obama-era regulations that the Trump administration has loosened.

**National Emergency.** Some urge for more drastic action and are urging the President-elect to declare a National Security Climate Change Emergency. The declaration of a national emergency grants a President a large swathe of additional powers and measures that he can control outside of Congressional purview – the Brennan Centre for Justice identifies 150 statutes that could become available in this eventuality. Specifically, these could include direct or indirect support for certain industries, for example through loan guarantees, transport co-ordination that could impose restriction on certain types of truck or car use, and sanctions or tariffs on fossil fuel transactions. Adoption of emergency powers would certainly give President Biden ample tools to address climate change, and quickly.

Yet there is a question about how constitutional such an approach would be. President Trump used a similar tactic to deliver funding for the "The Wall". This funding was blocked by a District Court, although this was later overturned by the Supreme Court, but is still held up following a separate Texas District Court ruling.

Moreover, there is a broader question of precedent. Democrats and some Republicans have argued that President Trump's declaration of a national emergency for Wall funding – funding that Congress had previously denied – was unconstitutional. Arguably, the climate change crisis should be considered more of a national emergency than issues at

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<sup>3</sup> April 2019

<sup>4</sup> "Net-Zero America: Potential Pathways, Infrastructure and Impacts", Princeton University, 15 Dec 2020.

the US's border. However, the routine use of this channel – clearly intended for extreme circumstances including wars or natural disasters – would set a precedent for future Presidents to follow in by-passing usual legislative controls.

**Filibuster reform.** If the national emergency channel is considered extreme, a filibuster reform is considered nuclear. This could see Democrats apply to change the filibuster requirement - scrap it altogether, reduce its threshold, or see it apply to certain issues. Ironically, a process to change this rule could be delivered by simple-majority vote. President Obama suggested its removal in the context of delivering voting rights changes, albeit when he was out of office. Joe Biden also suggested in July that he might “have to take a look” if Republicans proved “obstreperous”. Removing the filibuster would allow the passage of legislation on the grounds of simple majorities and would open the path to passing key legislation. However, this would then create the possibility that future administrations could follow suit, potentially undermining the legitimacy of all legislation.

Prominent people have discussed both the possibility of declaring a national emergency and filibuster reform. However, both measures seek to by-pass the legislative checks and balances that have underpinned American law-making. We suspect that their consideration serves as a negotiating position to avoid being stone-walled by the opposition, rather than as plan A. Yet they are viable options.

### What might a bipartisan approach look like?

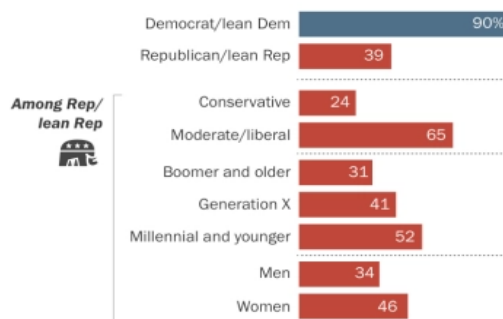
Rather than by-passing Congress and therefore a little under half of US voters’ preferences, it seems incumbent on democracies to persuade the majority of voters and representatives – something that gives legislation legitimacy and permanence. President Biden should be in a strong position to fulfil this role. John Podesta – Chief of Staff during Clinton administration – stated that the President “has the power to jawbone and he has the power to educate the public...”. An administration that presents and supports basic facts on climate change and leads a national debate about measures that can prevent climate change should have a material impact on American attitudes.

Moreover, the characterisation of a Republican view on the climate is misleading. The PEW centre published a survey in 2019 showing that *on average* only 39% of Republicans think the Federal Government is doing too little on Climate Change, compared to 90% of Democrats (Exhibit 6). However, within that 39%, nearly two-thirds of moderate/liberal Republicans thought too little was being done, compared with 24% of conservative Republicans. There was also a clear distinction between age groups, with 52% of Millennials and younger believing that too little was being done compared with 31% of baby-boomer or older generations. In total in 2019, PEW recorded that 67% of all

Americans already believed that the Federal Government was doing too little – a strong mandate for change.

### Exhibit 6: Attitudes to Climate Change

*% of U.S. adults who think the federal government is doing too little to reduce the effects of climate change*



Source: PEW Research Centre, 1-13 October 2019

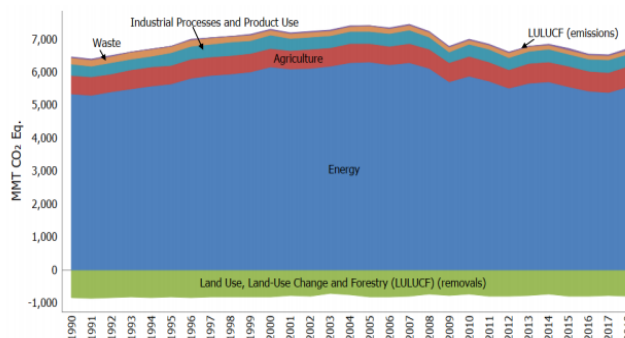
That said, it is not obvious that there is an alternative, conservative strategy for climate change. In the recent election, Republicans presented three basic responses when discussing the topic:

- Carbon sinks and land use
- Cleaning-up fossil fuel technology, basically carbon capture and storage (CCS)
- Conservation

However, these do not form a complete strategy. Exhibit 7 shows the contribution that current land use and carbon sinks make to extracting carbon from the atmosphere. It would take over six times the current land use for this to achieve neutrality – something that is clearly implausible. Carbon capture and storage technology is not available yet and while it might become viable and cost-effective in the future, it stands against currently available renewable energy technology that already produces power more cheaply than some fossil fuels. And finally, conservation, while admirable, does little to directly address GHG emissions.

### Exhibit 7: US carbon emission/extraction

**Figure ES-12: U.S. Greenhouse Gas Emissions and Sinks by Chapter/IPCC Sector (MMT CO<sub>2</sub> Eq.)**



Source: EPA, December 2020

Moreover, unlike with healthcare reform, Republican leaning think tanks have not provided alternative climate change

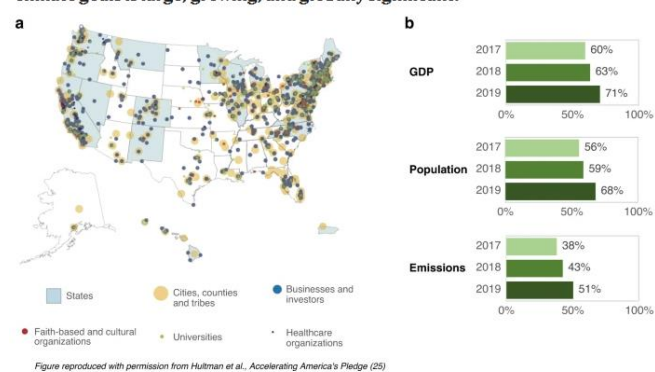
solutions. In 2008 a study<sup>5</sup> demonstrated that out of 142 environmental scepticism books<sup>6</sup> published globally between 1970 and 2005 (72 in the 1990s, 49 from 2000), 110 were published in the US. Of those 110, 101 had demonstrable associations with conservative think tanks. Such activity is more difficult to track on social media, making a more up-to-date audit more difficult. However, with the previously cited 64% of current Republican Senators on record denying human-caused climate change, there is some evidence that thinking has not moved on much.

### US multi-level governance approach

Despite partisan decisions that have led the Federal Government to flip-flop over the issue of climate change, the US has a rich network of sub-national actors that have continued to drive a climate agenda. Indeed, much of the governance of the US energy system – and other areas – has long been based on a system of devolved authorities, like that which has emerged to drive climate policy forwards. Groups like “We are still in” – a coalition of 10 States, 293 cities and counties, 2298 businesses and investors, 44 healthcare organisations, 412 colleges and universities, 947 faith groups, 12 tribes and 87 cultural institutions. And there is the US Climate Alliance – a mix of 25 Governors (3 Republican) – are still committed to seeing the US meet its Paris Climate Accord goals.

### Exhibit 8: Groups of sub-Federal Government actors committed to halting Climate Change

Fig. 1: The group of U.S. coalitions of non-federal actors making commitments to climate goals is large, growing, and globally significant.



Source: Nature Communications, December 2020

An article<sup>7</sup> in Nature Communications last year, published a database that systematically tracked climate commitments from individual sub-national government actors. It stated that the sum of entities that had made GHG commitments

<sup>5</sup> Jacques, P.J., Dunlap, R.E. and Freeman, M., “The organisation of denial: Conservative think tanks and environmental scepticism”, Environmental Politics, May 2008.

<sup>6</sup> Books that either cast doubt on the statistics of climate change, questioned the human causes of these changes or questioned the motives or incentives of researchers.

was equivalent to 71% of US GDP in 2019, totalled 68% of the population and comprised 51% of total emissions, Exhibit 8.

Many US corporations are already taking action to deliver on reduced GHG emissions, reflecting the demands of consumers, employees or boards themselves. McDonald’s, Microsoft and Google have all secured renewable energy procurement, Google’s latest the largest deal ever seen at 1.6 GW. Walmart is collaborating with thousands of suppliers and environmentalists with Project Gigaton to deliver a billion tons of GHG emission out of its supply chain by 2030, already reducing it by 94mmt. And Tyson Foods announced a partnership with ProForest to monitor deforestation across its global agricultural supply chains<sup>8</sup>.

Indeed, last year TCFD<sup>9</sup> published a report reviewing global corporate behaviour for 2019, as assessed through controlled financial disclosures. North American companies were assessed best on average for integrating climate related risks and opportunities into their strategies (50% versus 43% in Europe). In other areas though, US firms fell somewhat short of Asian Pacific firms in most areas and were otherwise far behind European firms (Exhibit 9).

### Exhibit 9: Assessment of climate awareness in corporate financial disclosures



Source: Task Force on Climate-related Financial Disclosures (TCFD), Financial Stability Board, Sept 2020

Moreover, commitments from sub-national actors do not yet go far enough. The Nature Communications article went further to project future US GHG emissions based on a

<sup>7</sup> Hultman, N.E. et al., “Fusing subnational with national climate action is central to decarbonisation: the case of the United States”, Nature Communications, Nov 2020

<sup>8</sup> “The Businesses that are – and are not – leading on climate change”, Forbes, Nov 2019.

<sup>9</sup> Task Force on Climate-Related Financial Disclosures, a body set up by the Financial Stability Forum to help companies provide better information to inform capital allocation.

variety of scenarios; it first considered what would happen if current commitments played out with no other change, estimating that this would deliver a 25% reduction in GHG emissions from the 2005 level by 2030. This would be insufficient to meet the Paris Agreement level (26% to 28% GHG reduction from 2005 level by 2025). It then considered if all 'mid-range' actors enhanced commitments in line with top-tier commitments, suggesting that GHGs would likely meet the Paris agreement (and fall by 37% by 2030) in this scenario. It concluded that if this were part of a nationally co-ordinated policy GHG reduction could drop by 49% by 2030.

The depth of sub-national commitment across the US to address issues of climate change is deeply encouraging even before Biden takes office. In many ways this reflects the plurality of engagement that the Paris Accord was designed to achieve. However, the estimates in Nature Communications offer their own warning – despite significant commitment across the US, current actions are unlikely to be sufficient to deliver even 2015's abandoned interim goals, let alone President Biden's more ambitious goals of carbon neutrality in 30 years' time. Indeed, it is difficult to envisage such a challenging target being achieved with only half of the US's emitters being on board.

## **Biden's first steps**

President Biden has campaigned and been elected on a platform of transforming US activity to mitigate its impact on the planet's climate. We believe that a more orthodox

administration that acknowledges scientific data will have an important influence on an American public, two-thirds of which already believe that the Federal government is doing too little to prevent Climate Change.

However, despite the strength of Biden's popular vote, his Congressional position is delicately poised. This is going to make it difficult for Biden to pass primary legislation – the way to making a permanent commitment towards climate change mitigation – without making additional, more fundamental changes to US rule making. The administration may also come across increased difficulties in pursuing a more regulatory approach. That said, we see the possibility of a large-scale medium-term funding bill being passed next year that would likely earmark significant spending to transport infrastructure and clean energy investment that would significantly reduce longer-term GHG emissions.

Broader support for climate action is prevalent across the US. Two-thirds of all Americans and a growing number of Republican voters support further action. And action is already underway at state, local and corporate levels across the US. We expect this support to continue to grow over the coming years and to continue to put long-term pressure on the Republican Party to engage more actively in the debate in how to mitigate further climate change. Yet whether this continued evolution in American attitudes moves quickly enough to avert potentially severe long-term costs associated with climate change remains to be seen.

**Appendix – Summary of Biden’s climate manifesto commitments**

	Likely delivery, including Executive Orders	Unlikely delivery, including legislative approval	Others
Year one policies	Methane pollution limits for new and existing oil and gas operators	Legislative enforcement mechanism to achieve 2050 goal	Define climate change agenda
	Direct Federal procurement system towards 100% clean energy/zero-emission vehicles	Protect biodiversity, slow extinction rates, conserving 30% of America's lands and water by 2030	Develop new tools to reduce risk and cost of transferring risk
	Improve government buildings and installations	Target airline emission	Create jobs and training in climate resilient industry
	Use EPA and Clean Air Act to reduce transportation GHG emittance	Implement carbon capture sequestration technology as soon as possible	Spark the second great railroad revolution
	Promote advanced biofuels	Identify the future of nuclear energy	
	Enhanced appliance and building security standards	Incentivize the deployment of clean technology throughout the economy	
	Require public company to disclose climate risks and GHG emissions in their operations	Improve the emergency efficiency of buildings	
	Historic investment in clean energy, climate research and innovation	Empowering local communities to develop transportation solutions	
	Protect America's natural treasures	Partnering with farmers and ranchers for better agricultural practices	
	Re-enter the Paris Agreement	Mitigating the climate impact of urban sprawl	
Convene a climate world summit to engage world leaders to join US in tackling climate change	Enacting national strategy to develop low carbon manufacturing sector in each state		
Embrace the Kigali Amendment to the Montreal Protocol	Enforceable agreements to reduce emissions in global shipping and aviation		
Bring together America's top talent to establish ARPA-C for affordable, revolutionary tech			
Accelerating the deployment of electric vehicles			
<b>Longer-term</b>			
National Security Priority	Direct SoD and Chairmen of the joint Chiefs of Staff to report to him on impact of CC on NS	Invest in the climate resilience of military base and critical infrastructure	Commission a National Intelligence Estimate on national security impact of CC
	Direct national security agencies to address the security implication of climate change		
Address pollution and inequality	Reinstate federal protections to protect local communities		
	Direct EPA and Justice Department to pursue polluters		Seek additional legislation as needed to hold corporate executives accountable
Worker support	Ensure communities harmed by climate change are the first to benefit from the plan		Ensure access to safe drinking water for all communities
	Increase coal companies 'payments into the black lung benefits programme	Demand legislation to protect the retirement benefits owed to miners	Secure benefits of coal miners and their families
	Establish a Task Force on Coal and Power Plant Communities		Make an unprecedented investment building option Obama's Power+plan



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