



PEW CENTER
on
Global CLIMATE
CHANGE

The State of Play in the Debate over U.S. Domestic Climate Policy

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www.pewclimate.org

Founded May 1998, **independent, non-profit, non-partisan** organization dedicated to advancing practical and effective solutions and policies to address climate change

- Produces **research** on policy, economics, science & impacts, and solutions
- Works with **policymakers** at state, federal, and international levels
- Conducts **education** and outreach
- Engages the **business** community through the Business Environmental Leadership Council (BELC) – 45 companies
- Founding **member** of United States Climate Action Partnership

Business Environmental Leadership Council





USCAP
United States
Climate Action
Partnership

"We are committed to a pathway that will slow, stop and reverse the growth of U.S. emissions while expanding the U.S. economy."



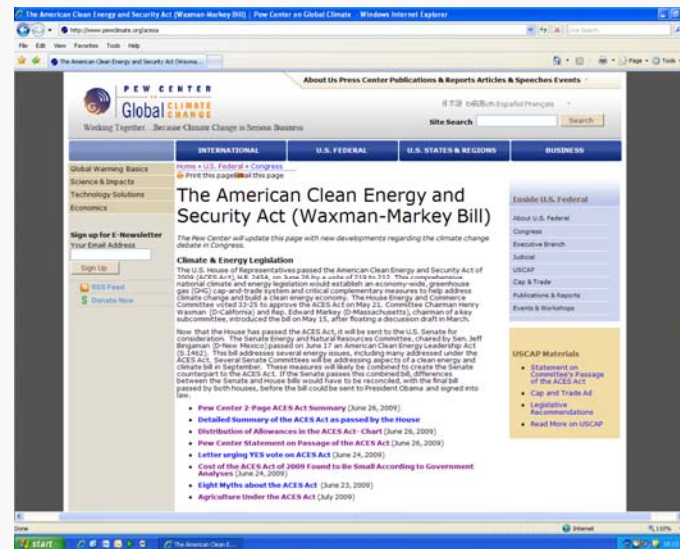
Key developments

- House – Waxman-Markey Bill
- Senate – Process From Here
- Administration
- Domestic - International interaction

House passed the American Clean Energy and Security Act of 2009 (ACES Act), H.R. 2454, on June 26 by a vote of 219 (201-D, 8-R) to 212 (44-D, 168-R) (3 abstain).

Summaries of bill:

<http://www.pewclimate.org/acesa>



The screenshot shows a web browser window displaying the Pew Center on Global Climate website. The page is titled "The American Clean Energy and Security Act (Waxman-Markey Bill)". The main content area includes a navigation menu with "INTERNATIONAL", "U.S. FEDERAL", "U.S. STATES & REGIONS", and "BUSINESS". The main heading is "The American Clean Energy and Security Act (Waxman-Markey Bill)". Below the heading, there is a sub-heading "Climate & Energy Legislation" and a paragraph of text. A list of links is provided at the bottom of the page, including "Pew Center 3-Page ACES Act Summary (June 26, 2009)", "Detailed Summary of the ACES Act as passed by the House", "Distribution of Allowances in the ACES Act - Chart (June 26, 2009)", "Pew Center Statement on Passage of the ACES Act (June 26, 2009)", "Letter urging YES vote on ACES Act (June 26, 2009)", "Cost of the ACES Act of 2009 Found to Be Small According to Government Analysis (June 26, 2009)", "Eight Myths about the ACES Act (June 23, 2009)", and "Agriculture Under the ACES Act (July 2009)".

GHG Cap-and-Trade (Title III):

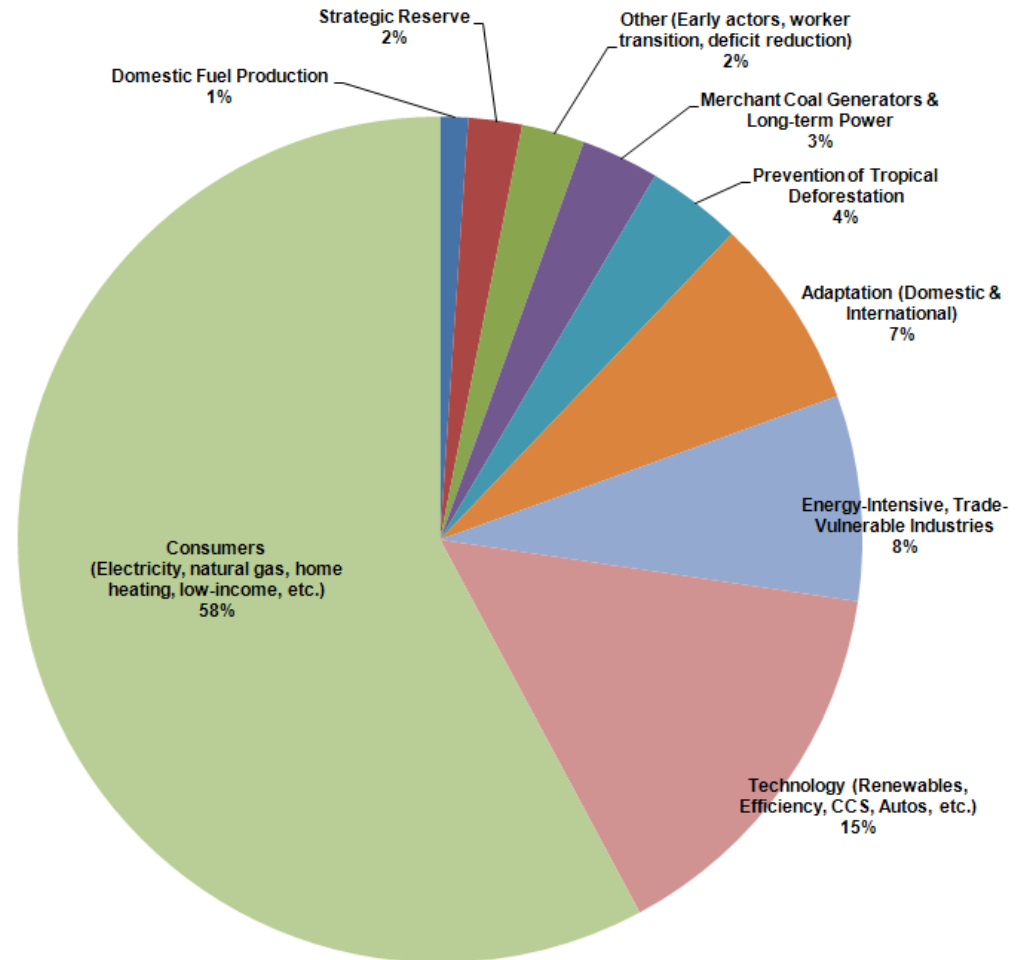
- Coverage: 85% of U.S. GHG emissions under cap-and-trade
- Cap: 17% below 2005 levels by 2020; 83% below by 2050
- Threshold: Does not cover entities emitting less than 25K tons CO₂e; EPA may lower threshold to 10K tons after 2020
- Offsets: Capped at 2 billion domestic & international
- Cost containment: Strategic reserve of 2.5 billion allowances available if allowances prices rise above trigger price. Unlimited banking and borrowing

Allowance distribution:

- consumer protection
- industry and worker transition assistance
- technology innovation
- adaptation
- international forestry, technology, adaptation

Initially 85% free allocation, 15% auctioned, moving to greater auctioning (74%) overtime

- Over life of the program, (2012-2050), 40% of allowances auctioned, 60% freely distributed



GHG Cap-and-Trade (continued):

- 15% of allowance value to energy-intensive, trade-exposed industries (pulp, paper, cement, steel, etc.) in 2014; President to assess whether to continue or phase out after 2025.
- Border measure: automatic application in 2020
 - If no internationally binding agreement with equitable contribution by all major GHG emitters, unless the President determines that it not in the nation's best interest and Congress concurs by joint resolution.
 - Requirement for importers of carbon-intensive goods from major GHG emitters to hold a specific type of allowance (international reserve allowance).
- Agriculture: excluded from cap
 - Domestic offsets: up to 1 billion tons
 - Set-aside: 0.28% of allowance value for supplemental agriculture and renewable energy projects 2012-2016
 - Bioenergy: included under 20% efficiency and renewable energy portfolio standard
- Suspensions: Clean Air Act limitation (for GHGs regulated under US federal legislation); State GHG cap-and-trade programs suspended for 5 years

Complementary Measures:

- Renewable Portfolio Standard (20% by 2020)
- Coal measures (CCS deployment strategy and funding, performance standards for new plants, etc.)
- Energy efficiency measures: building efficiency codes, energy efficiency resource standard, etc.
- Transportation: PHEV planning and incentives, state and metropolitan planning organizations to develop GHG reduction plans
- Transmission planning, smart grid advancement, green jobs and worker transition, etc

International Provisions:

- “Supplemental” reductions: 5% of allowances set aside for reducing deforestation (decreasing to 3% from 2026 to 2030 and 2% in 2031) to achieve additional 10% emission reductions in 2020
- Support to developing countries
 - 1% for international adaptation, increasing to 4% in 2027
 - 1% for clean technology, increasing to 4% in 2027
- International offsets: up to 1.5 billion tons/yr
 - Favors sector-based crediting with baselines set below BAU
 - Reduced deforestation: favors national baselines leading to zero net deforestation in 20 years
- Linkage: Recognizes allowances from other systems with absolute targets and equivalent compliance, offset treatment, etc.

Committees

- Environment and Public Works (Boxer)
- Foreign Relations (Kerry)
- Finance (Baucus)
- Energy and Natural Resources (Bingaman)
- Agriculture, Nutrition and Forestry (Harkin)
- Commerce, Science and Transportation (Rockefeller)

Committee outputs likely to resemble earlier versions of House bill

- Target: 17-20% below 2005 levels
- Means of allowances, market oversight, offsets, nuclear, border tax

Essential ingredients for enactment of law:

- Balancing of environmental and economic objectives (Waxman committee)
- Bipartisan leadership in Senate
- President Obama personally making the case to the public and to Congress

60 of 100 votes needed for domestic law

- 36 Democrats (likely yes)
- 24 Democrats (?)
- 10 Republicans (?)
- 30 Republicans (likely no)

» 67 votes needed for a treaty

Outlook

- Bills/components out of committees 28 September (Reid)
- Full Senate vote (possibly 2009 or 2010)
- House-Senate Conference (possibly 2010)
- President's signature (possibly 2010)

» depends on progress of healthcare

President Obama is making energy/climate a priority:

- Calls on Congress to pass GHG cap-and-trade with 1990 levels by 2020, 80% below 1990 by 2050
- Appointed a White House lead on energy/climate and special envoy for international climate negotiations
- Forged agreement with automakers and California on vehicle standards for greenhouse gas (GHG) emissions and fuel economy
- Supported billions in stimulus law for renewable and low-carbon energy infrastructure and R&D
- Had EPA propose rule requiring GHG reporting, to go final for 2010 reporting
- Allowed EPA to recognize that GHG emissions can endanger public health and welfare

Most importantly Obama argues that investment in clean energy technology will help the U.S. grow out of economic crisis – and that GHG cap-and-trade is essential for driving that investment

Re-engagement in international climate talks

- **UN Framework Convention on Climate Change**
 - Submitted 'implementing' agreement
- **Major Economies Forum: 2°C**, global emissions peaking as soon as possible, developing countries undertake actions represent meaning deviation from BAU, work together to identify 2050 global goal, partnership on technology, finance drawing on existing institutions (Leaders statement)
 - G8: QELROs for developed countries to reduce emissions by 80% by 2050, and work with nations for a 50% global goal by 2050 - no developing country sign on to emission reduction goals
- **U.S.-China dialogue: MOU to Enhance Cooperation on Climate Change, Energy and the Environment: *Ten Year Cooperation Framework on Energy and Environment* and *Climate Change Policy Dialogue and Cooperation*:**
 - Importantly calls for the successful international negotiations on climate change
 - Hold regular ministerial and officials consultations

Final outcome - 'Implementing agreement'

- Strong, binding agreement, commitments from all major economies
- Protocol in nature: BAP framework, Parties efforts contained in appendices
 - Structure of common, then differentiated actions
- Shared vision: consistent with level of ambition needed to meet objective of Convention, recognizing evolving science, econ devel/emissions trends
 - Emphasis on the long-term goal
- Mitigation: NAMAs (QELROs for developed, quantifiable sufficient action for developing), low carbon development strategies to 2050
- Differentiation: Parties with greater responsibility/capability, graduation
- Finance: Decentralized with coordination, use of existing institutions
 - New and existing multilateral and bilateral avenues + private sector
(Some support shown for Mexico proposal)
- Use of trading and offsets
 - Linking of domestic systems
- Also MRV, Adaptation, Technology, REDD sections

Scenario: What if Waxman-Markey passes the House, but has not been considered by the full Senate, or been signed into law, by Copenhagen?

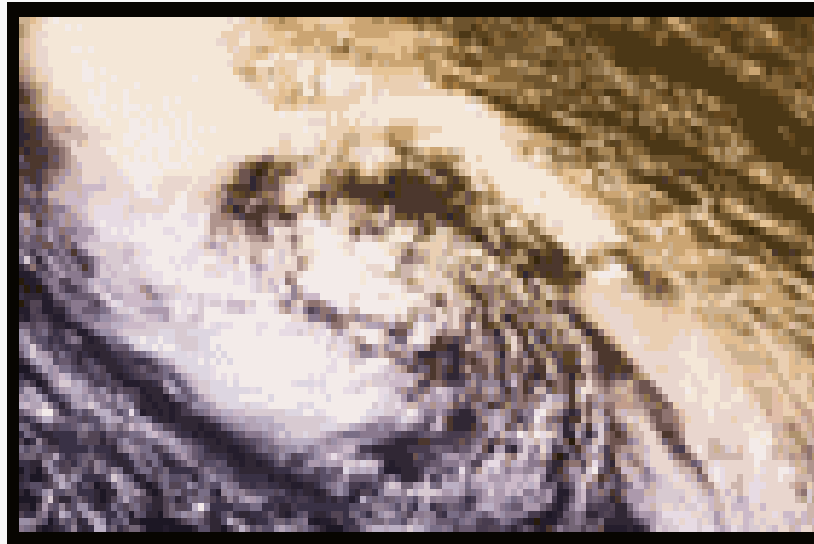
The Obama administration will still have a good sense of the likely framework of the U.S. domestic policy, including reduction targets.

- U.S. is more likely to enact a strong domestic GHG cap-and-trade law in 2010 and commit to an international treaty if it sees:
 - Willingness to accept a target range in line with targets under discussion in Congress; and
 - Willingness by major economies to consider verifiable GHG mitigation commitments (while respecting common but differentiated responsibilities)
 - Enforcement provisions

Administration (negotiating position) must not get out of step with Congress in sequence or level of ambition

- Best possible scenario for Copenhagen may be intermediary political outcome establishing basic post-2012 architecture, including agreement on:
 - developed countries: target range
 - developing countries: mitigation action types
 - nature and level of mitigation and adaptation support for developing countries
- Final legal outcome with specific targets and commitments to be agreed in 2010 or 2011.

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Kate Cecys is an International Fellow at the Pew Center on Global Climate Change. Her work at the Pew Center includes tracking climate-related policy development internationally, researching international policy issues, and facilitating dialogue with governments and stakeholders. Before joining the Pew Center, Ms. Cecys held several positions with the Australian Government Department of Climate Change, representing Australia in United Nations Framework Convention on Climate Change negotiations on scientific, inventory and forestry issues. She was seconded to the Indonesian government in preparation for their hosting of COP 13 in Bali.

Ms. Cecys holds a Masters of Environmental Law and a Bachelor of Science with Honors from The University of Sydney, Australia.