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

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Overview of Presentation

- State of Play
- Waxman-Markey Bill
- Process From Here
- Domestic – International Interaction

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
- Appointed 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

President Obama - energy/climate priority (cont):

- 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 tech will help US grow out of economic crisis – and that GHG cap-and-trade is essential for driving that investment

House Committee on Energy and Commerce passed Waxman-Markey bill on May 21

- Chairman Waxman (D-California), Ranking Republican Barton (R-Texas), key subcommittee chairman Markey (D-Massachusetts)
- 30 of 59 votes needed
- 18 Democrats
- 18 Democrats
- 23 Republicans
- After roughly 37 hours and 94 amendments, the committee approved the bill, 33-25

GHG Cap-and-Trade:

- 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
- Allowance distribution: Used for consumer protection, industry and worker transition assistance, technology innovation and adaptation (initially 85% free allocation; 15% auction; more auction over time)
- Offsets: 2 billion tons domestic & international
- Cost containment: Strategic reserve of 2.5 billion allowances available if allowances prices rise above trigger price

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, and whether to impose border requirements, after 2025
- Clean Air Act limitation: GHGs not regulated as criteria pollutants or hazardous air pollutants under US federal Clean Air Act
- State role: State GHG cap-and-trade programs suspended for 5 years; other state programs unaffected
- Many USCAP recommendations in Waxman-Markey Bill

International Provisions:

- “Supplemental” reductions: 5% of allowances set aside for reducing deforestation (decreasing to 3% from 2026 to 2030 and 2% in 2031); additional to domestic targets
- 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 a year
 - 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.

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

Process from here



- House Waxman committee passed Waxman-Markey bill (May 21)
- Other House committees may amend W-M bill (possibly in June)
- Full House vote (possibly Summer 2009)
- Senate committee action (possibly in 2009)
- Full Senate vote (2009 or 2010)
- House-Senate Conference (2009 or 2010)
- President's signature (2009 or 2010)

Process from here



U. S. Senate:

- 60 of 100 votes needed for law, 67 for treaty
(one Senate seat currently vacant)

- 36 Democrats

- 23 Democrats

- 10 Republicans

- 30 Republicans

Essential ingredients for enactment of law:

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

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).

- 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.

For More Information



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