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The Pew Center applauds the Senate Energy Committee for its continued efforts to address the critical issue of climate change. The Center is responding to all four main questions, and submitting additional information on cost containment and recent climate science. Responses draw from an extensive body of analysis, conference and workshop proceedings undertaken by the Center with input from the Center's Business Environmental Leadership Council, scholars, policymakers, and stakeholders; as well as opinions expressed to the Center in discussions with over 30 large corporations. Please note that the Center and most companies surveyed believe that, rather than focusing on any one design element in isolation, any bill must be evaluated as a whole, especially in minimizing the costs to covered entities and the economy.

1. Point of Regulation: Ultimately mandatory GHG mitigation measures should cover the economy as a whole, equitably spreading responsibility among large emitters, the transportation sector, and households. For large stationary sources, the submission of allowances would best be required "downstream" at the point of emission, rather than "upstream." For the transportation sector, the Center recommends an approach that would cover vehicle manufacturers through use of tradable vehicle GHG emission standards.

2. Allowance Allocation: To assist with the transition to GHG regulation, a high percentage of allowances (e.g., 90% - 95%) should be allocated at no cost, rather than auctioned, at least in the initial years of a cap-and-trade system. A small initial auction can provide funds for transition assistance and technology deployment. Over time, the amount auctioned could increase. In providing federal funding for technology development, a competitive process, such as a "reverse auction," allocating funding on the basis of emission reduction potential, can minimize costs. In the early years of the program, the highest priorities for allocation should be transition assistance and technology development; over time the priorities should shift toward rewarding low-emitting technologies and practices. Offsets are critical for minimizing program costs. Use of offsets to meet allowance submission requirements should not be restricted, as long as the offsets meet reasonable standards for real, verifiable emission reductions. Early action credit is important and could be provided by allowing emitters who document emission reductions earlier than the default baseline year to use an earlier baseline, resulting in a higher allowance allocation.

3. Linkage: A U.S. GHG program should be integrated with systems around the world. This is both environmentally and economically important. Linkage will minimize costs while expanding GHG mitigation and technology transfer opportunities. Use of a low safety valve will greatly complicate such linkage and minimize the incentive for technology transfer and innovation.

4. Encouraging Comparable Action: Different policies are needed to address two distinct but related objectives: (1) achieving adequate action by all major emitting countries, and (2) protecting U.S. firms in energy-intensive industries whose goods are traded internationally against competitiveness impacts. The first is best achieved through multilateral commitments; the second through overall cost containment and targeted support for the vulnerable sectors.

Additional Topics - Cost Containment: A "safety valve" is just one cost containment method. Costs to regulated entities can also be minimized through offsets, allocation, linkage, etc.

Climate Science: The evidence of globally-distributed climate change impacts is mounting.