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U.S. Domestic Climate Legislation: State of Play

Barcelona Climate Change Talks 2009
November 3, 2009

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Overview of Presentation:

- Progress since January 2009
- Outlook for U.S. domestic climate legislation
- House Waxman-Markey bill
- Senate situation
- Engagement by Obama administration

Inconceivable in December 2007, not obvious even a year ago:

- Climate change a top priority of President Obama and Congressional leadership
- House passage of bill with GHG cap-and-trade
- Major GHG regulatory actions
- Major businesses advocating for GHG cap-and-trade
- “Cap-and-trade” a household phrase
- “Copenhagen climate negotiations” household words

Timing:

- House of Representatives passed the Waxman-Markey climate & energy bill in June 2009
- First Senate committee currently considering cap-and-trade (Kerry-Boxer)
- Full Senate consideration of climate & energy bill most likely by April 2010
- Reconciliation of House and Senate bills would likely take several months
- Reconciled bill must be passed by House and Senate and signed by President to become law
- Good chance of enactment of U.S. domestic climate & energy bill before end of 2010

Debated 2020 levels under U.S. GHG cap-and-trade:

- 20% below 2005 levels (proposed Kerry-Boxer bill)
- 17% below 2005 levels (House Waxman-Markey bill)
- 14% below 2005 levels (urged by Candidate Obama in 2008)

(14% below 2005 levels ~ 1990 levels)

Key challenges:

- Much of U.S. public does not recognize urgency of climate action
- Climate change, and cap-and-trade in particular, have become tied up in partisan politics
- The economy
- Obama and Congressional attention on health care and wars

Global warming provisions of House-passed Waxman-Markey bill:

- Covers 85% of US GHG emissions through cap-and-trade
- 17% below 2005 levels by 2020; 83% below by 2050
- 85% of allowances allocated for free
- 2 billion tons domestic & int'l offsets; discounted by 20%
- Strategic reserve of 2.5 billion allowances available if allowances prices rise above trigger price
- GHGs emissions from most stationary sources not subject to command-and-control regulation
- U.S. state GHG cap-and-trade programs on hold for 5 years

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% GHG 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

International provisions (continued):

- Favors sector-based crediting with baselines set below BAU
- Reduced deforestation: favors national baselines
- Linkage: Recognizes allowances from other systems with absolute targets and equivalent compliance, offset treatment, etc.
- Multilateral/bilateral agreements: required as basis of cooperation
- Border measure: Automatic application from 2020
- Bill would generate large international flows, \$10 billion+ in 2020

House situation:

- Simple majority required for House passage
- Waxman committee has jurisdiction over most climate and energy regulation
- Waxman committee representative of full House
- 2008 Dingell-Boucher cap-and-trade bill a strong foundation
- Overwhelming Democratic majority in the House
- Powerful Speaker of the House

Senate situation:

- 60 out of 100 votes required for Senate passage
- 60 Democrats in Senate, 20+ from states with strong manufacturing, fossil energy sectors
- 9 current Republicans have supported mandatory climate action in previous years
- 6 - 7 committees have jurisdiction over climate and energy regulation
- Bingaman committee passed energy bill earlier in 2009
- Boxer committee currently considering Kerry-Boxer cap-and-trade bill

Kerry (Democrat) - Graham (Republican) objectives:

- Energy supply
- Energy security
- Climate change

Kerry-Graham proposal:

- GHG cap-and-trade
- Support for increased nuclear power
- Increased access to domestic oil & gas supplies
- Trade measures
- GHG allowance “price collar”

Senate Majority Leader Reid expected to combine contributions from committees and Senators into a bill intended to win at least 60 votes.

Final action requires stronger Obama Administration engagement in legislative process

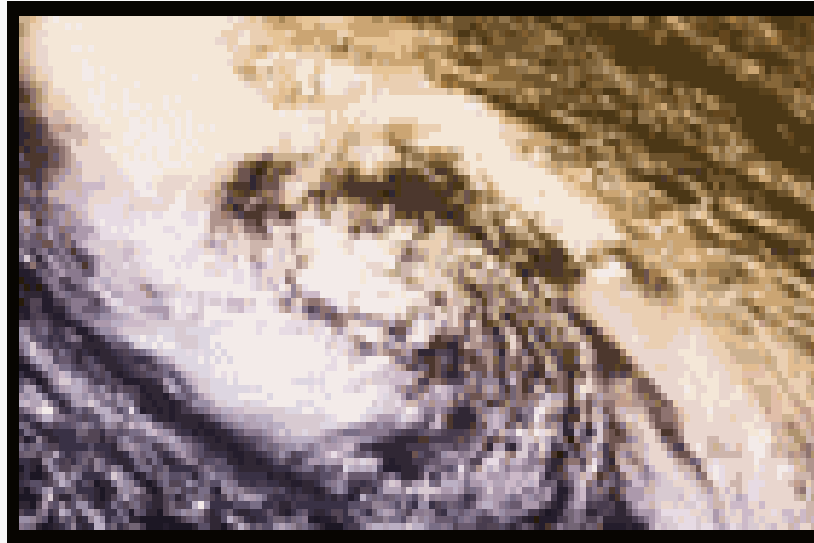
- Explaining climate-energy issue to U.S. public
- Engaging Democratic and Republican moderates
- Releasing principles for climate-energy bill
- Involving cabinet in legislative process

Full Obama engagement most likely after enactment of health care reform

Five conditions for success in 2010:

- Enactment of health care reform bill
- Economy on the mend
- Broader engagement of moderate Republicans
- Obama leadership of legislative process
- Positive steps forward in Copenhagen

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Manik Roy is the Vice President for Federal Government Outreach for the Pew Center on Global Climate Change, where he manages communication between the Center and the U.S. Congress. Dr. Roy has twenty-five years of experience in environmental policy, having worked, before coming to the Pew Center, for Sen. Frank R. Lautenberg, Rep. Henry A. Waxman, the U.S. Environmental Protection Agency, the Massachusetts Department of Environmental Protection and the Environmental Defense Fund.

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