



Climate Change Policy: A Point of Transition (?)

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Two Bills

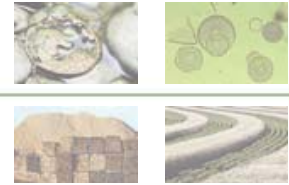
- Climate change policy will be addressed in two main pieces of legislation:
 - Climate and Energy Bill
 - Transportation Reauthorization



Climate Emissions Policy: State of Play

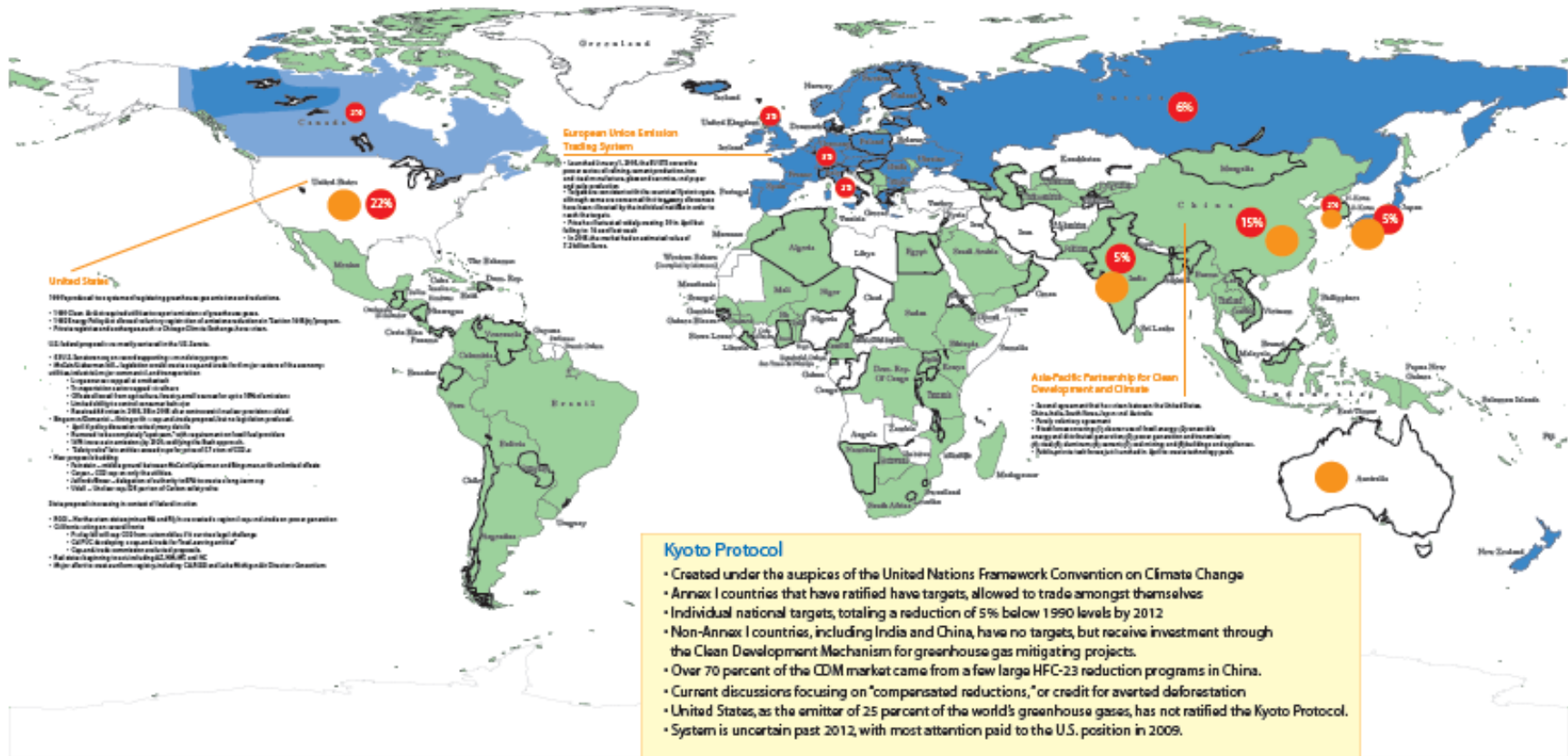
- Mandatory reduction pledges in all developed nations, but United States
- Project-level reductions in developing world
- Mandatory cap-and-trade programs in Northeastern United States, European Union





Climate Policy - A Primer

36% rest of the world

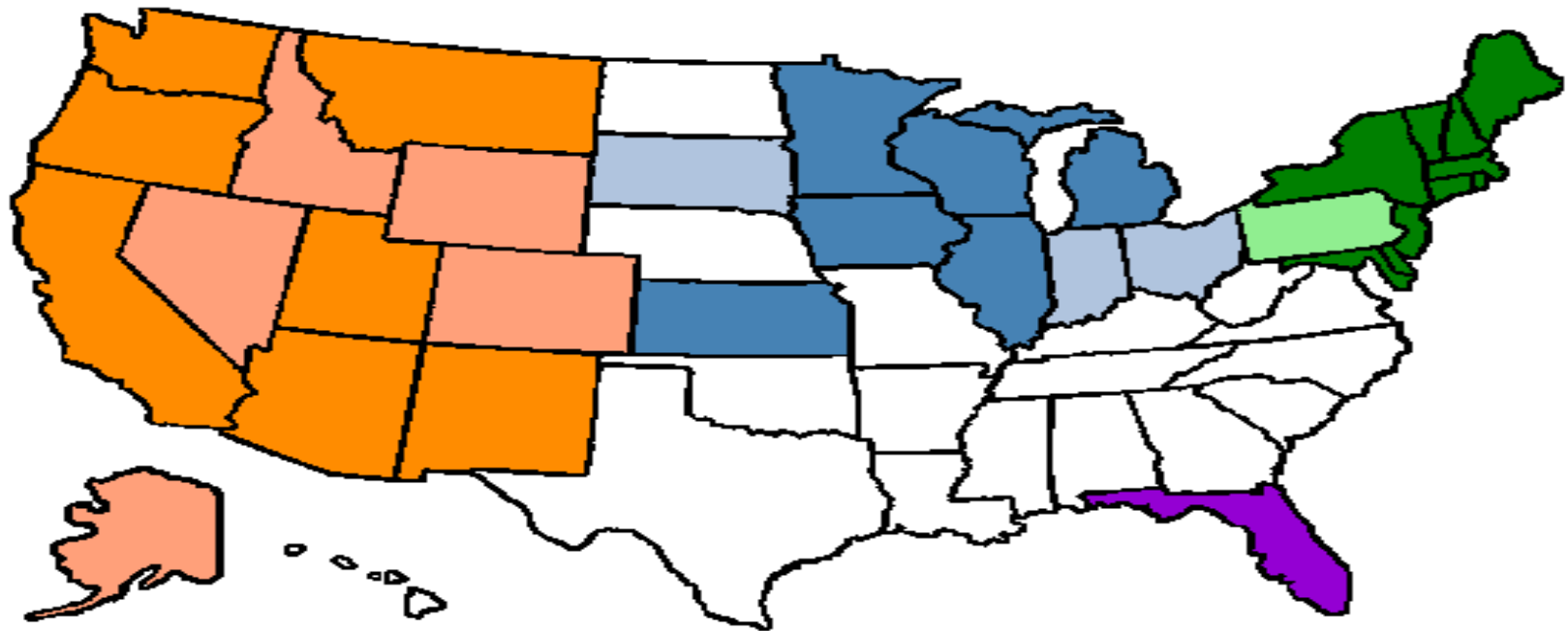


● Kyoto Protocol nations; Non-Annex I (no emissions cap)
 ● Kyoto Protocol nations; Annex I (capped emissions)
 ● Asean-Pacific Partnership for Clean Development and Climate
 ● Top 10 Countries: CO2 Emissions from Fossil Fuel Combustion, 2003





Regional Cap-and-Trade Systems

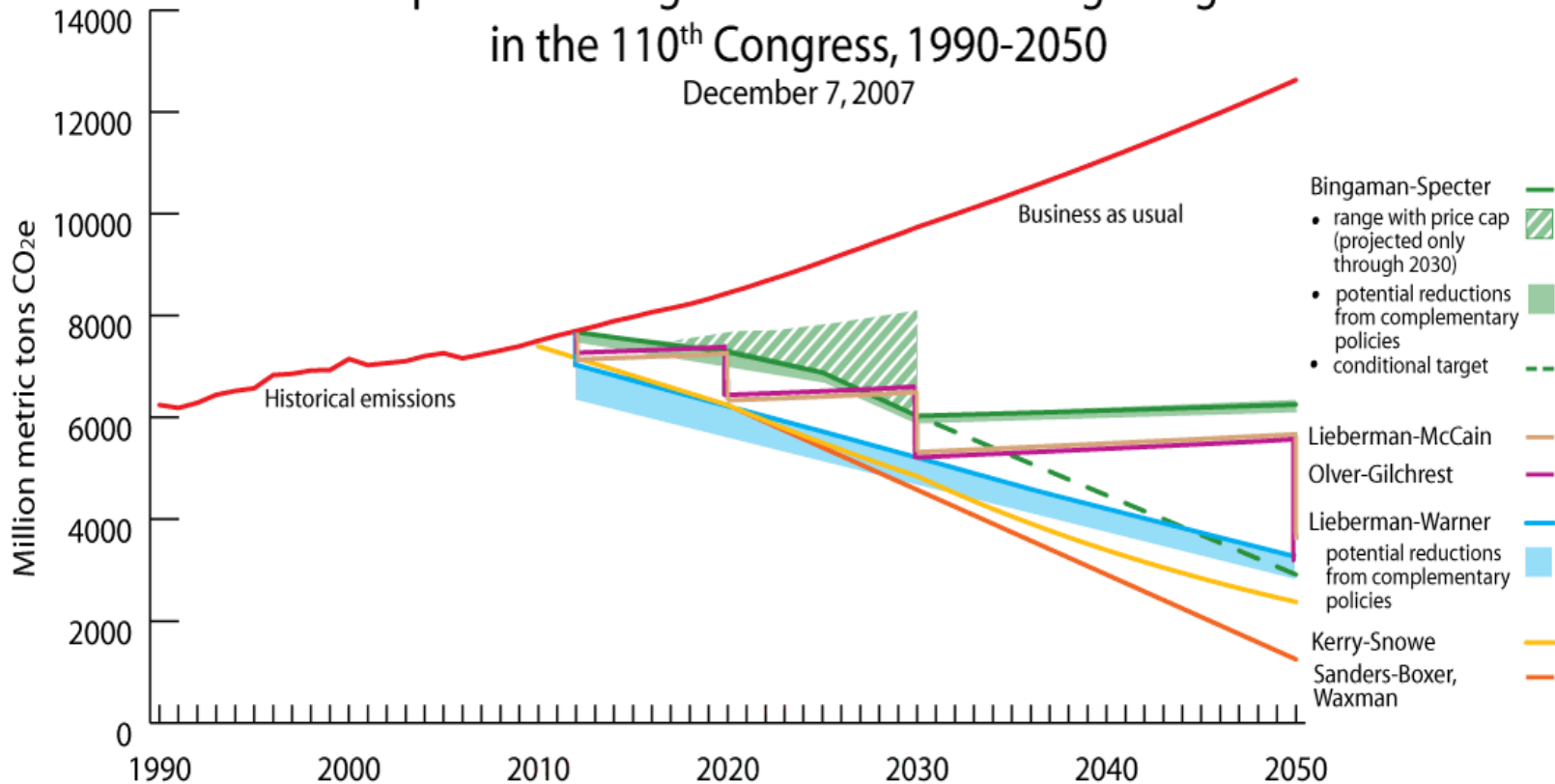


- Regional Greenhouse Gas Initiative RGGI
- RGGI Observer
- Midwestern Regional GHG Reduction Accord
- MRGHGRA Observer
- Western Climate Initiative
- Western Climate Initiative Observer
- Individual State Cap-and-Trade Program



Comparison of Legislative Climate Change Targets in the 110th Congress, 1990-2050

December 7, 2007





Summer 2008: A Failed Debate





The Change Agent





Congress: Somewhat Chaotic



U.S. Senate:

- What Committee is in Charge?
- Can Chairman Boxer lead?
- One Bill or Three?

U.S House:

- Waxman/Markey – Will the Moderates support?



Two Futures:





Scenario A: Road to Success

- Waxman is allowed to legislate.
- Senate moderates lead rather than complain
- White House puts its shoulder to the wheel.



Scenario B: Chaos

- No effective Presidential leadership
- Leadership vacuum in Senate draws in all ideas, good, bad and ugly
- Chairmanship fight in House undercuts progress
- 2009 spent posturing, without clear leadership.
- 2010 likely dominated by 2010 election positioning
- Climate policy may be left undone
- International negotiations are difficult or impossible



Even if politics align, “Sticking Points” exist

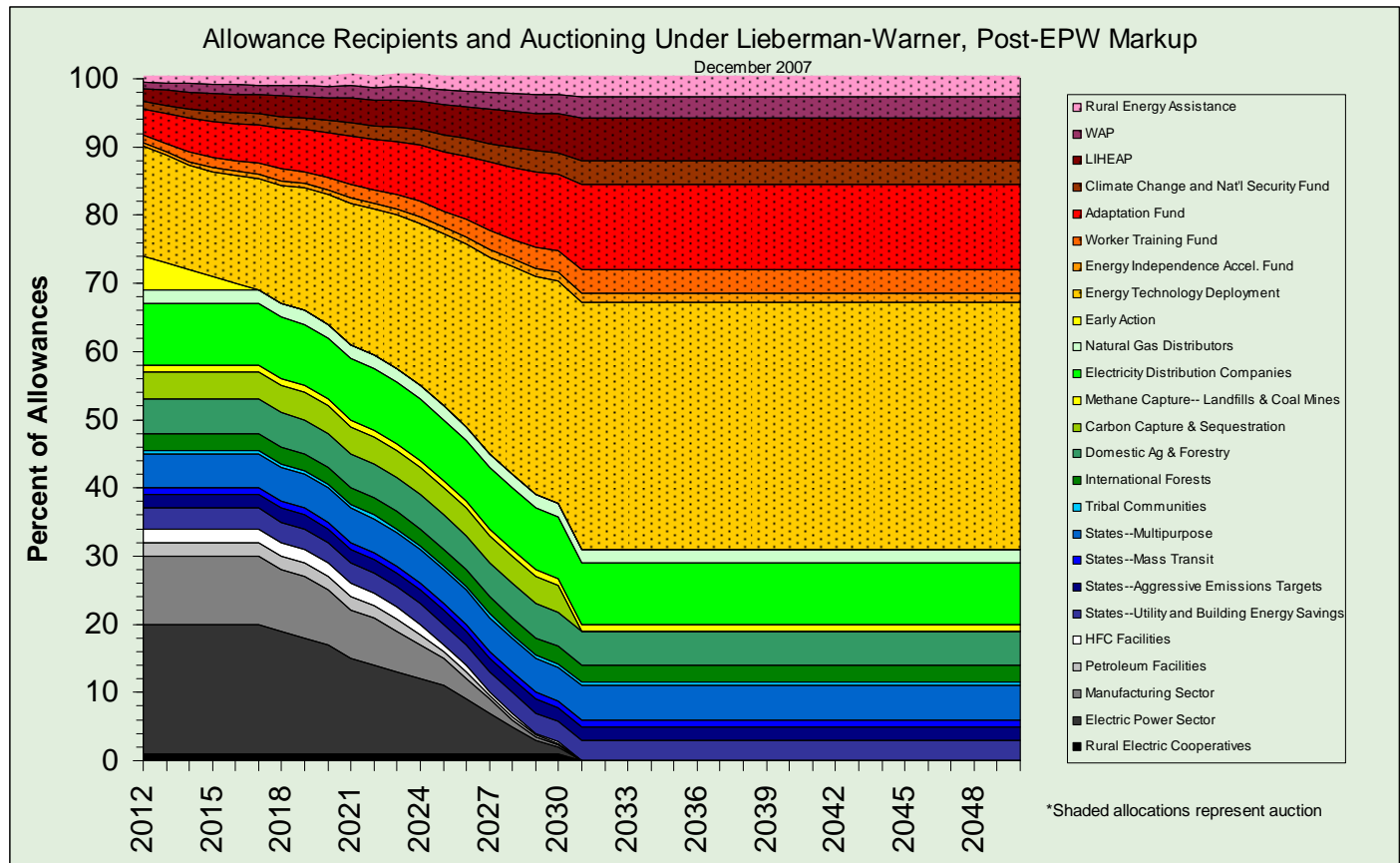
- Cost containment
- Trade/Competitiveness
- Allocation of allowances
- Protection of low income communities from cost of mitigation and adaptation
- Building the offsets market
- Building a state/federal partnership
- Market structure: oversight and transparency
- What role for the Clean Air Act?
- Political credit





Allowance Value: Central Issue in Debate

Last year's lesson: K.I.S.S.





Senator Corker:

“What this bill does is it takes in trillions of dollars and then pre-prescribes how that money is spent, going out into areas to people who have nothing whatsoever to do with emitting Carbon. Twenty-seven percent of the allocations go out to entities in this country that have nothing whatsoever to do with emitting carbon. That is a huge unnecessary transference of wealth.”

Last October: House Tried to Learn the Lesson – Did It?

Discussion Draft Allocation Options: Breakdown by Percentages
House Energy and Commerce Committee, October 7, 2008

Allocations to:	Option A			Option B			
	2012-2013	2014-2016	2017-2025	2012-2013	2014-2016	2017-2020	2021-2025
Industrial Sector	0.5	14.75	14.75	0.5	26.75	26.75	26.75
Electricity Sector (LDCs)	44.25	38.0	38.0	44.25	21.0	14.0	7.0
Independent Coal Generators	4.75	4.0	4.0	4.75	2.0	1.5	0.75
Energy Efficiency Programs	13.5	10.5	9.5	12.75	12.75	12.5	12.0
Clean Technology Deployment	10.75	11.0	12.0	10.75	13.0	15.75	16.25
Early Action Recognition	3.0	2.0	2.0	3.0	2.0	2.0	2.0
Low-Income Consumers	10.0	10.0	10.0	10.0	10.75	11.5	11.0
Other Consumers						5.0	14.0
Deficit Reduction Fund	8.0	6.0	6.0	8.0	7.25	6.75	5.25
Green Jobs				1.0	1.0	1.0	1.0
Supplemental GHG Reductions	5.0	3.0	3.0	4.5	3.0	3.0	3.0
National Adaptation Program							
International Obligations							
Management Fund	0.5	0.5	0.5	0.5	0.5	0.5	0.5

Allocations to:	Option C				Option D		
	2012-2013	2014-2016	2017-2020	2021-2025	2012-2013	2014-2016	2017-2025
Industrial Sector	0.5	22.5	18.5	16.5			
Electricity Sector (LDCs)	43.0	18.0	14.0	5.0			
Independent Coal Generators	4.75	1.75	1.25	0.5			
Energy Efficiency Programs	13.5	13.0	12.25	11.5	13.5	10.5	9.5
Clean Technology Deployment	10.75	13.25	15.25	16.25	10.75	11.0	12.0
Early Action Recognition	3.0	2.0	2.0	2.0	3.0	2.0	2.0
Low-Income Consumers	10.0	11.0	12.0	13.0	5.0	5.0	5.0
Other Consumers					45.0	50.0	50.0
Deficit Reduction Fund	8.0	8.75	9.25	11.0	17.75	17.5	17.5
Green Jobs	1.0	1.0	1.0	1.0			
Supplemental GHG Reductions	4.5	3.0	3.0	3.0	5.0	3.0	3.0
National Adaptation Program		3.0	7.0	12.5			
International Obligations		2.0	3.5	7.0			
Management Fund	0.5	0.5	0.5	0.5	0.5	0.5	0.5

* Table does not reflect allocations to natural gas local distribution companies for residential/commercial use, which fall under cap in 2017/2021.
** LDCs = electricity local distribution companies



Problem: A lot of stakeholders have an established interest in allowance value

Boxer's February Principles as an example:

- Keep consumers whole as our nation transitions to clean energy;
- Invest in clean energy technologies and energy efficiency measures;
- Assist states, localities and tribes in addressing and adapting to global warming impacts;
- Assist workers, businesses and communities, including manufacturing states, in the transition to a clean energy economy;
- Support efforts to conserve wildlife and natural systems threatened by global warming; and
- Work with the international community, including faith leaders, to provide support to developing nations in responding and adapting to global warming. In addition to other benefits, these actions will help avoid the threats to international stability and national security posed by global warming.



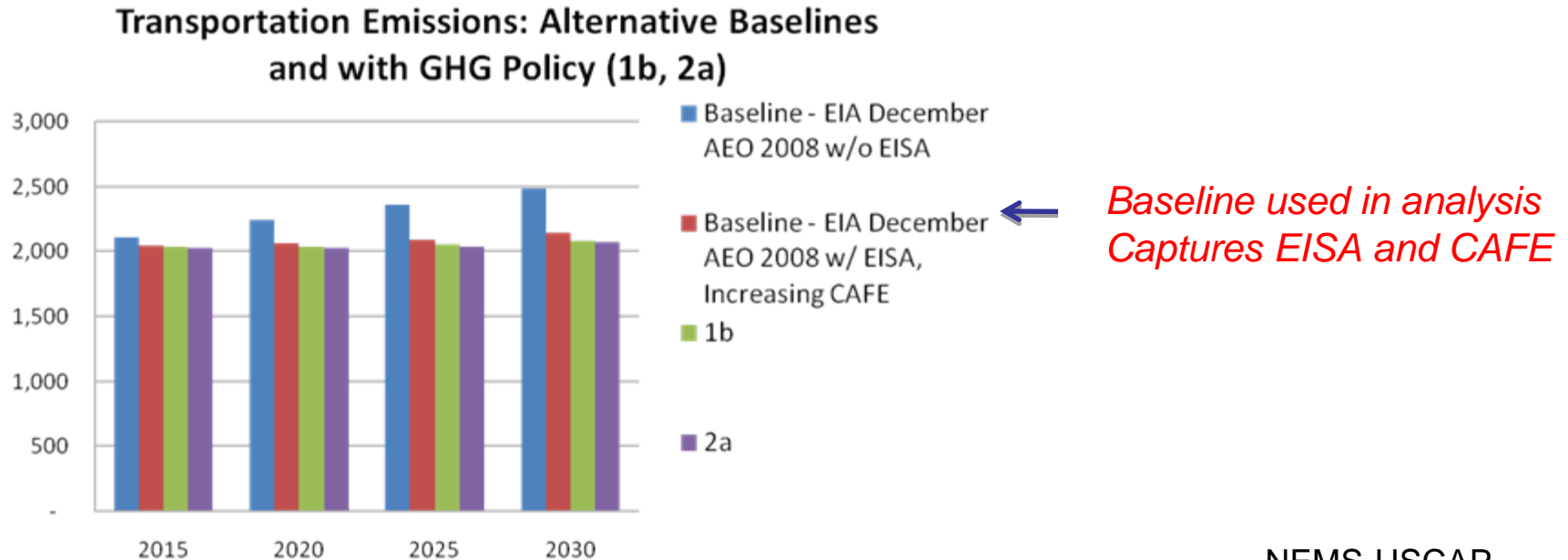
State/Federal Partnership

With State and Regional leadership, there is a reluctance to yield to federal preemption

Architecture of a Compromise:

- Provisions that create market value – allowance creation, offsets – should be uniquely federal
- Provisions that are traditionally in state control – codes, land use – should remain so.
- Provisions that are not cleanly in either camp need be negotiated – i.e., tailpipe standards, ability of state to retire allowances unused.
 - Could a state only retire allowances equal to “additional” reductions made through state policies?

Transportation reductions largely come through baseline reductions via EISA and CAFE.

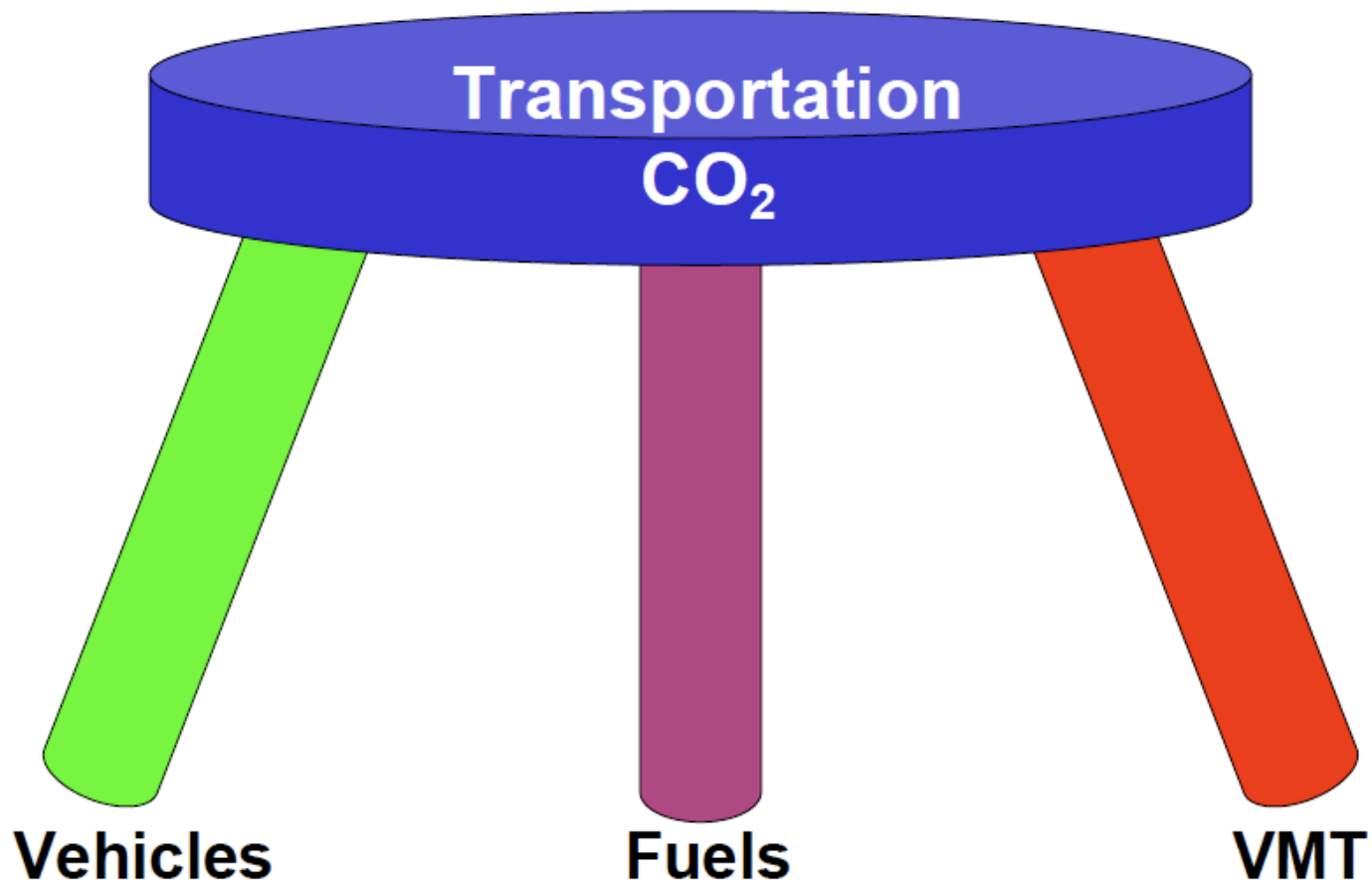


NEMS-USCAP

- Almost all of the transportation sector emission reductions come from incorporating EISA and higher CAFÉ standards in the baseline
- Incremental effect of the GHG policy is very small, even with more stringent case (2a)
- ADAGE has a little more response in transportation than NEMS-USCAP, still small
- Ongoing need to assess complementary transportation policies



Transportation and GHG regulation





GHG-Reducing Policy Areas

Fuels	Vehicles	VMT
Low-Carbon	Technologies	Land Use Planning
Biofuels	CAFE Standards	Roads Infrastructure
Electricity	Tailpipe Standards	Transit
	Infrastructure	Freight Movement
		Alternative Modes



GHG-Reducing Policy Areas

	Fuels			Vehicles				VMT Management				
	Low-Carbon	Biofuels	Electricity	Technologies	CAFE Stds	Tailpipe Stds	Infrastructure	Land Use Planning	Car Infrastructure	Transit	Freight Movement	Alternative Modes
Transportation Bill	●							●	●	●	●	●
Climate Change Bill	●	●	●	●	●	●		●		●	●	
Energy Bill		●	●	●	●		●					
Farm Bill	●	●						●				
Economic Stimulus			●	●	●	●			●	●		●



Transportation Reauth

Indications about impact on transportation

- **Senator Boxer: will not allow transportation bill and climate bill to work at cross-purposes**
- **Chairman Oberstar: has vowed to recast the nation's transportation strategy to increase mobility, curb emissions and cut down on fuel consumption**
- **During stimulus debate the House T&I committee considered (but eventually didn't include) two requirements.**
 - **Funding must be spent on shovel-ready (1) road/highway maintenance and repairs and (2) transit system improvements before they can go to (3) new road construction and expansion**
 - **All projects must be scored for climate impact (as a performance standard)**