



# **U.S. Climate Policy: 2007 and 2008**

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# *Outline*



- Supreme Court
- Administration
- Congress
- States
- The year ahead



# *Supreme Court*



- Mass. vs. EPA decision: April 2, 2007
- Petitioners requested that EPA regulate GHG emissions from motor vehicles
  - EPA must reconsider decision
  - Rationale for action or inaction must be based on the Clean Air Act
- "EPA can avoid promulgating regulations only if
  - it determines that greenhouse gases do not contribute to climate change or
  - if it provides some reasonable explanation as to why it cannot or will not exercise its discretion to determine whether they do."



# *GHG transportation rules*



- **President's announcement of May 14 Executive Order**
  - EPA to engage in interagency process
  - Use available authority to develop regulations to respond, in part, to Supreme Court's decision in *Mass v. EPA*
  - Issue proposed rule for comment by end of 2007
  - Issue final rule by end of 2008
- **President's 20-in-10 goal**
  - Reduce gasoline consumption by 20% in 10 yrs (2017)
  - Vehicles: Reduce projected annual gasoline use by up to 8.5 billion gallons: an estimated 5% reduction in gasoline use
  - Fuels: 35 billion gallons (ethanol equivalent) of renewable and alternative fuels, phased in 2010 to 2017



# *US International Initiatives*



- **Multilateral initiatives**
  - Asia Pacific Partnership
  - Methane to Markets
  - Sequestration, Hydrogen, and Nuclear Initiatives
- **Major Economies process - by end of 2008**
  - Long-term global goals
  - Nationally defined mid-term goals and strategies
  - Sector-based approaches for improving energy security and reducing greenhouse gas emissions
  - Initial meeting held Sept 2007, additional meetings in 2008
- **US/EC proposal to negotiate Environmental Goods and Services Agreement under WTO**
  - To eliminate tariffs and non-tariff barriers on goods linked to addressing climate change





# U.S. Views at Bali



- The United States is committed to developing a new post-2012 framework that is global.
- The United States will work with partners to reach consensus on a “Bali Roadmap” for a global framework under the UNFCCC by 2009.
- We believe that a post-2012 framework for climate change must be environmentally effective and economically sustainable. To attract global participation, a future framework must support broader social and economic goals.
- We hope that the Major Economies process can contribute to and advance our discussions under the UNFCCC.
  - CEQ and the U.S. team will be reaching out on the details of the next MEM meeting.
  - Plans are underway for the second Major Economies Meeting.



# *Congress*



- **Many climate-related bills introduced**
  - 12 cap-and-trade bills
  - House and Senate Energy bills
  - Mandatory GHG reporting
- **Hearings on climate issues**
  - Senate: EPW, Commerce, Energy, Finance, Transportation
  - House: Government Reform, Energy and Commerce, Science, Transportation, Ways and Means, Select Committee on Climate Change
- **Staff workshops**
  - Senate and House Energy held workshops to educate staff
  - Many staff/public sessions



# Cap-and-trade bills



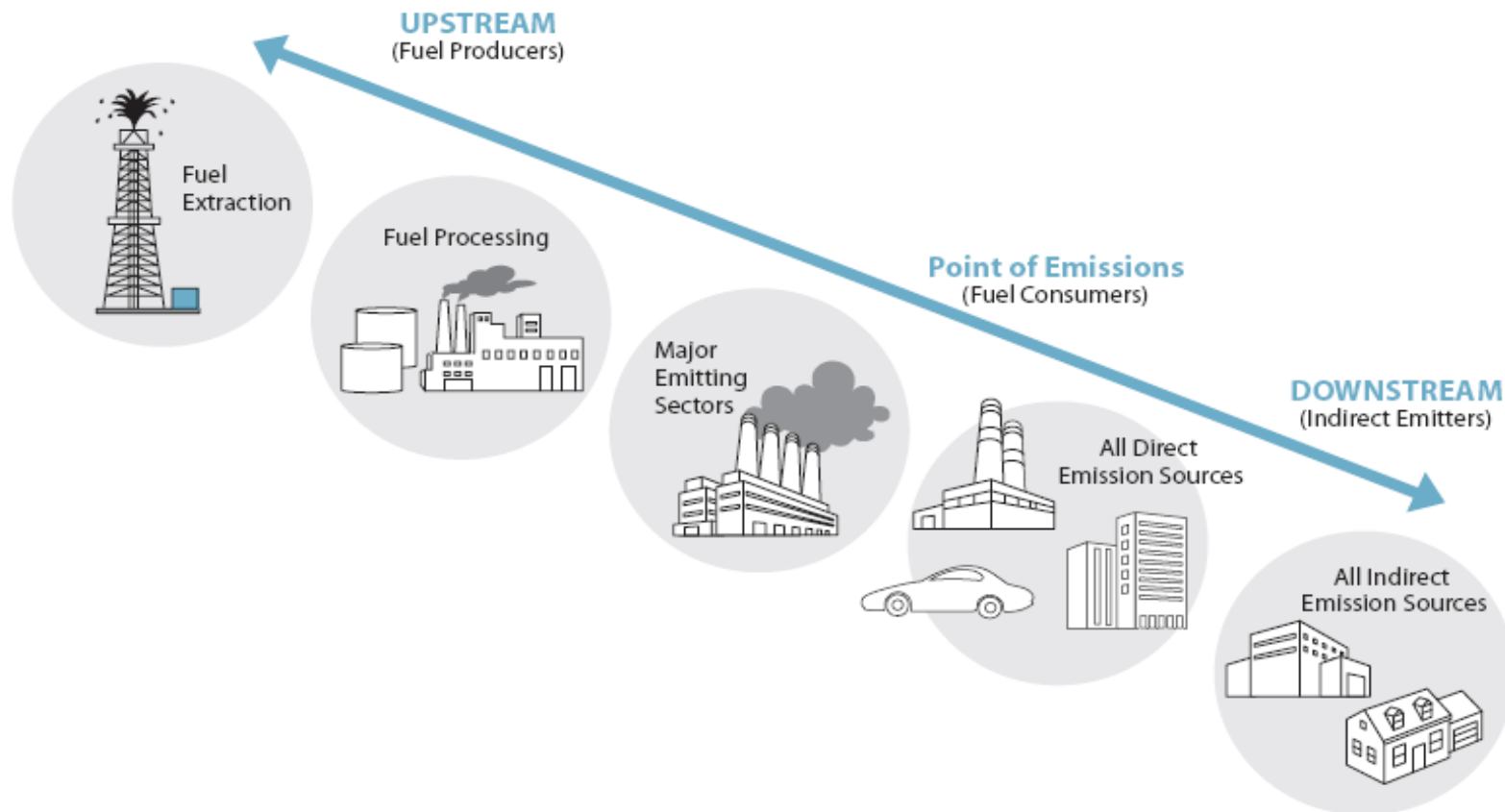
- 12 bills introduced
  - Bingaman-Specter July 14
  - Lieberman-Warner (S. 2191) – full Committee vote on Dec. 5
  - 8 economy wide
  - 4 power sector only
- Key Elements
  - Caps and timing
  - Emissions Coverage – economy wide, single sector
  - Point of regulation – upstream, downstream, hybrid
  - Offsets – limits on use and scope
  - Allocation – auctions, free distribution, set-asides
  - Cost-containment – safety valves, borrowing







# Upstream vs. Downstream



## S. 2191

- Upstream: Oil, Gas, PFCs, SF6
- Downstream: Coal
- HFCs handled in a separate production/consumption cap (like Title VI)

## S. 280

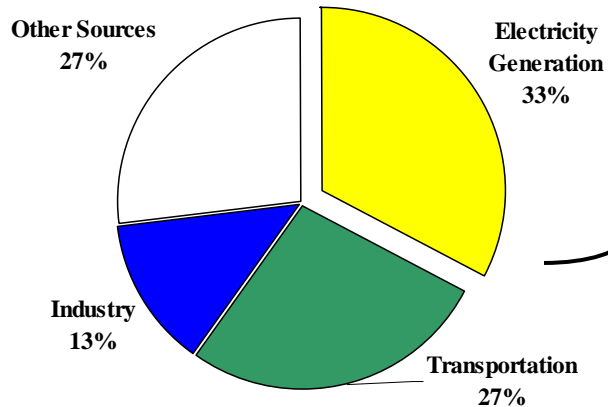
- Upstream: Transportation, HFC, PFC, SF6
- Downstream: Facilities in Electricity and Industry sectors that emit more than 10,000 MMTCO<sub>2</sub>e



# Cap & Trade Emissions Coverage Economy-wide vs. Sector Specific



## Downstream

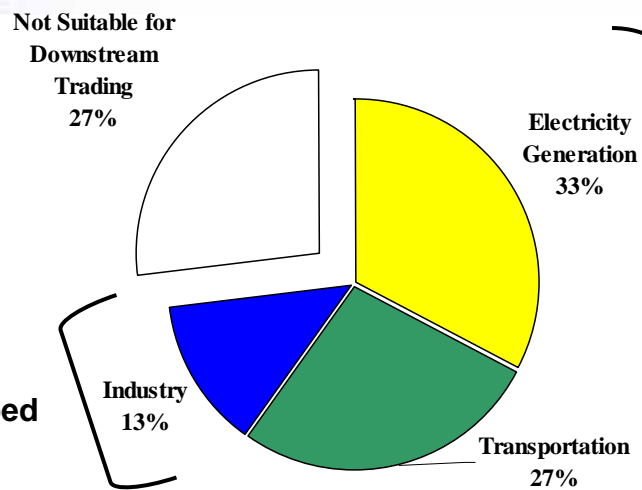


## Sector Specific

Capped

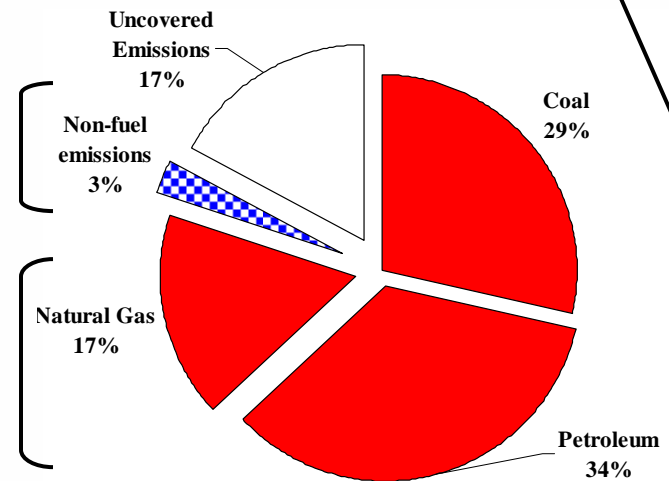
## Economy-Wide

## Downstream



Capped

## Upstream





# *EPA Legislative Analyses*



- **EPA economic analysis of Lieberman-McCain bill S.280**
  - Total U.S. GHG emissions are approximately 25% lower than Reference Scenario emissions in 2030, and 44% lower in 2050.
  - Modeled allowance prices range between \$27 -32 /tCO<sub>2</sub>e in 2030
  - The greatest emission abatement occurs in the electricity sector.
  - The transportation sector provides a relatively small proportion
- **Full analysis online at [www.epa.gov/climatechange](http://www.epa.gov/climatechange)**
- **Other legislative analyses underway:**
  - Bingaman-Specter bill
  - Inhofe, Voinovich, Barasso analysis
  - Lieberman-Warner bill



# *Energy Bill*



- **June 21: Senate energy bill passed 65-27**
- **August 4: House energy bill passed 241-172**
- **November 30: House-Senate deal announced**
  
- **Major provisions:**
  - **Energy efficiency for appliances, lighting, buildings**
  - **Biofuels mandates**
  - **CAFÉ: 35 mpg by 2020**
  - **Renewable Portfolio Standard – 15% by 2020**



# *Mandatory GHG Reporting*



- **Senate FY 2008 Appropriations Bill for EPA**
  - Would require EPA to implement a mandatory GHG reporting program
  - Would entail both upstream and downstream reporting
- **Status uncertain - has been approved by Senate Appropriations, no floor vote**
- **Appropriations bill may be bundled into an omnibus bill**
- **House Appropriations rider is related but not as specific**





# States



- **Regional Greenhouse Gas Initiative**
  - Cap-and-trade for CO<sub>2</sub> from electric power
  - Involves ten New England and Mid-Atlantic states
  - Starts in 2009
- **Midwest Climate Initiative**
  - Nine states plus Manitoba
  - Announced Nov. 15<sup>th</sup>
- **Western Climate Initiative**
  - Six states plus B.C. and Manitoba
  - Launched February 2007
- **Multi-State Climate Registry – launches in early 2008**



# *The Year Ahead*



- **Administration:**
  - Proposed vehicle and fuels rules
  - Response to California waiver request
  - Bali Roadmap/Major Economies Process
- **Congress:**
  - Possible energy bill votes in House and Senate
  - House – Energy and Commerce cap-and-trade bill
  - Senate – Committee and floor votes on S. 2191 and others
- **Continued state and federal litigation**
- **States – Calif. mandatory reporting begins, RGGI implementation, Climate Registry launch**



## *Contact information*



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