



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 1, 2012

### **S. 1956** **European Union Emissions Trading Scheme Prohibition Act of 2011**

*As ordered reported by the Senate Committee on Commerce, Science,  
and Transportation on July 31, 2012*

The European Union (EU) has established the European Union Emissions Trading Scheme (ETS), a regulatory framework related to greenhouse gas emissions. Currently, the ETS covers emissions from air carriers that operate flights within, to, and from EU member states. Negotiations between the U.S. government and the EU about the applicability of the ETS to U.S. air carriers are ongoing, and the potential outcome of those negotiations is unclear.

S. 1956 would direct the Secretary of Transportation to prohibit U.S. air carriers from participating in the ETS if the Secretary believes such a prohibition to be in the public interest. The bill would direct federal agencies to continue negotiations in pursuit of a worldwide approach to addressing aviation-related emissions and would authorize the Secretary to use existing authorities to ensure that U.S. air carriers are held harmless for any costs they incur if they participate in the ETS.

CBO estimates that enacting S. 1956 would have no significant impact on the federal budget. We expect that the bill would not alter the scope of diplomatic efforts currently underway or federal agencies' costs to participate in those efforts, which are subject to appropriation. The bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1956 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

S. 1956 would impose a private-sector mandate, as defined in UMRA, if U.S. air carriers would be prohibited from participating in the ETS. The cost of the mandate would depend on how the prohibition is administered by the Department of Transportation. Because information about how the prohibition would be implemented is not available, CBO has no basis for estimating the cost, if any, to U.S. air carriers. Consequently, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$146 million in 2012, adjusted annually for inflation).

On September 23, 2011, CBO transmitted a cost estimate for H.R. 2594, the European Union Emissions Trading Scheme Prohibition Act of 2011, as ordered reported by the House Committee on Transportation and Infrastructure on September 23, 2011. The two bills are similar, and the CBO cost estimates are the same.

The CBO staff contacts for this estimate are Megan Carroll (for federal costs) and Amy Petz (for the impact on the private sector). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.