

Federal Legislation on Climate Change: What Happens Next?

 THE UNIVERSITY OF TEXAS AT AUSTIN
SCHOOL OF LAW

Melinda E. Taylor

Clinical Professor

University of Texas School of Law

Overview

- Numerous Major Bills introduced in 110th Congress
- Market-Based Approach
- Important Issues for Consideration
 - Target for Emissions Reductions
 - Scope of Coverage
 - Cap and Trade
 - Allocation of Emissions Credits
- Details of Key Bills
- What to Expect from the 111th Congress

Massachusetts v. EPA

- EPA has authority to regulate greenhouse gases as “pollutant”
- EPA must determine whether to make an “endangerment” finding pursuant to CAA Section 108:
The Administrator shall list each air pollutant – "emissions of which, in his judgment, cause or contribute to air pollution which may reasonably be anticipated to endanger public health or welfare"
- ANPR issued July 2008



Congressional Response: Over 230 Bills

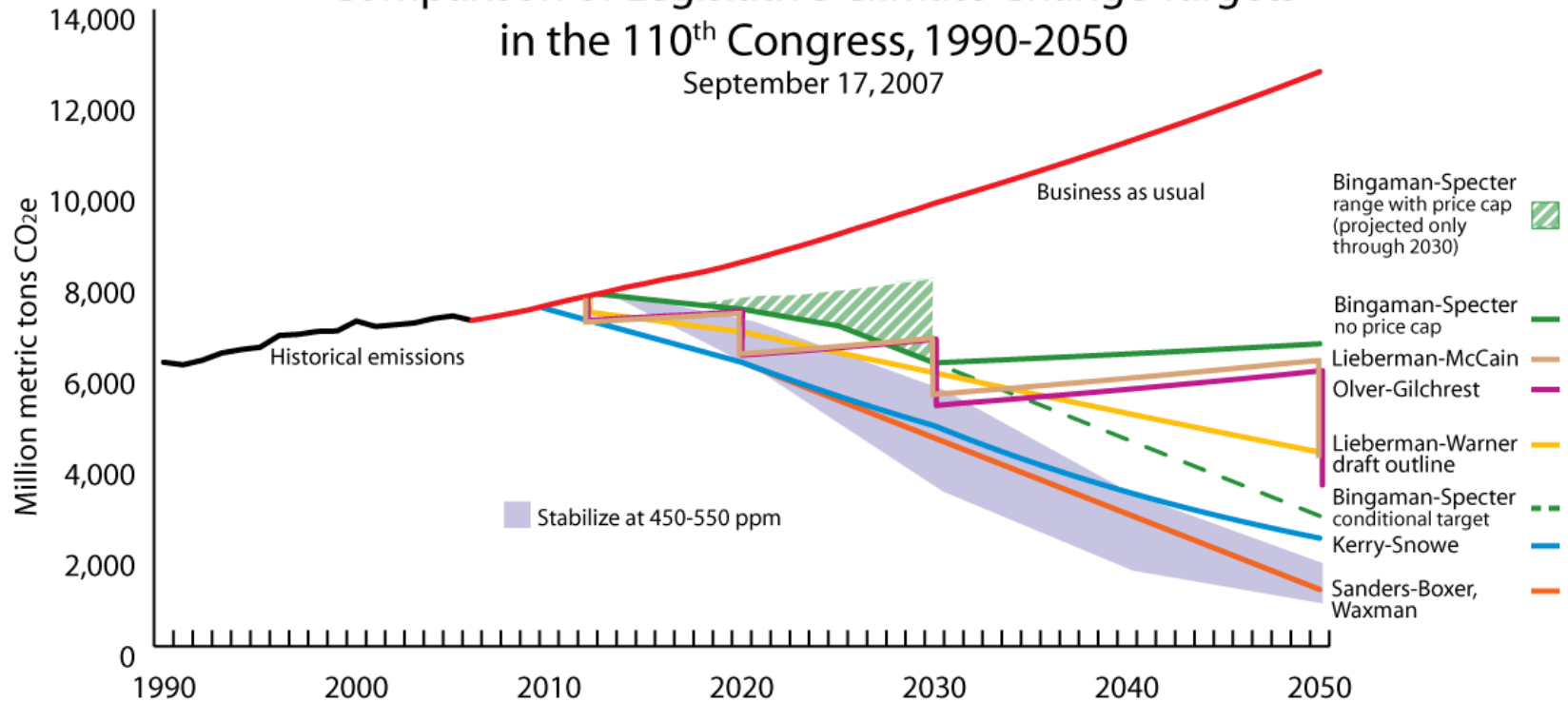
- Lieberman-Warner Climate Security Act
- Bingaman-Specter Low Carbon Economy Act
- Kerry-Snowe Global Warming Reduction Act
- Sanders-Boxer Global Warming Pollution Reduction Act
- Waxman Safe Climate Act of 2007
- McCain-Lieberman Climate Stewardship and Innovation Act
- Dingell-Boucher “Discussion Draft”

Target for Emissions Reductions

- Vast range (50-80% reduction from 1990 levels)
- Every bill aims to meet the goal of stabilizing temperature rise
- Rate of achieving reductions varies

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

September 17, 2007

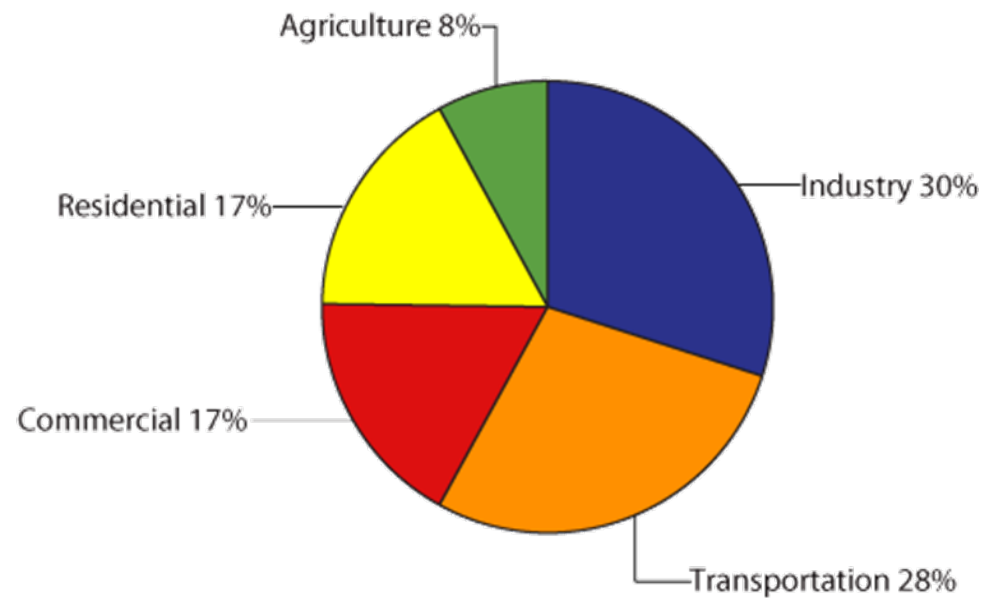


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For a full discussion of underlying methodology, assumptions and references, please see <http://www.wri.org/usclimatetargets>. WRI does not endorse any of these bills. This analysis is for comparative purposes only. Data post-2030 may be derived from extrapolation of EIA projections.

Greenhouse Gas Emissions by Sector

United States, 2004



Total Emissions* = 7,074 MMT CO₂E

* Net Emissions (Sources + Sinks) = 6,204 MMT CO₂E

** High GWP Gases include: HFCs, PFCs, and SF₆

Data expressed in Million Metric Tons of Carbon Dioxide Equivalents (MMT CO₂E)

Source: US EPA Inventory of Greenhouse Gas Emissions and Sinks, 2006.

Options for Coverage

- Economy-wide
- Electricity Generation Sector
- Mobile Sources



Allocation of Emissions

- Auction vs. Give-Away

President-elect Obama in favor of 100% auction

None of the current bills include 100% auction (or 100% give-away)

Auction generates revenue (up to \$250B/year); but may cause economic disruption and financial hardship

Lieberman-Warner Climate Security Act (S. 3036)

- Covers 6 GHGs
- Includes transport fuels and natural gas, large coal users, GHG manufacturers
- Declining caps: 4% below 2005 levels in 2012; 19% below 2005 in 2020; 71% below 2005 in 2050
- HFCs have more aggressive cap
- Trading system monitored by new Carbon Market Efficiency Board

Lieberman-Warner Bill (cont.)

- Allowances to industrial sectors and the states
- Increasing use of auction to 100% by 2031
- Partial compliance through the use of carbon offsets allowed
 - 15% of obligation through domestic offset projects
 - 15% of obligation through international offset projects

Lieberman-Warner Bill (cont.)

- Banking and Borrowing of allowances (up to 15% per company); payback with interest required
- Bonus allocations for carbon capture and storage
- Funds for technology and adaptation

Dingell-Boucher Discussion Draft

- Letter accompanying release of draft:

“We believe that elected and accountable representatives in Congress, not the Executive Branch, should properly design that regulatory program.”

Dingell-Boucher Discussion Draft

- Goal is 80% reduction from 2005 emissions levels by 2050
- Modest short-term goal of 6% reduction by 2020
- Small sources (those emitting less than 25,000 tpy) would be regulated by EPA through industry specific emission standards

Dingell-Boucher Discussion Draft

- Performance standards for new coal-fired power plants
- Four allocation options; auction reserved for 2026 and beyond
- Would remove GHGs from “national ambient air quality standards”
- Options for addressing tailpipe emissions

Other Legislative/Regulatory Activities

- **FY 2008 Appropriations Bill:** EPA must establish a greenhouse gas registry
- Draft rule submitted to OMB last week
- Final rule due June 2009

Other Legislative/Regulatory Activities

- HR 6258 (Boucher) Carbon Capture and Storage Early Deployment Act
- Intended to spur technology and innovation by industry for carbon capture and storage
- Would invest \$10 billion in research and pilot projects; funded through assessment on electricity providers