

USCAP/US Climate Policy

CEPS

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imagination at work

Climate: An Administration Priority



“Yes he will!!!”

- Broad climate interest across administration
 - Carol Browner—White House Climate/Energy Czar
 - Hillary Clinton—Secretary of State
 - Todd Stern, Special Envoy on Climate Change
 - Lisa Jackson—EPA Administrator
 - Lisa Heinzerling, Climate Regulatory Lead
 - David McIntosh, Legislative Lead
 - Dr. Steven Chu—Secretary of Energy
 - Ken Salazar—Secretary of the Interior
 - Nancy Sutley—Chairman Council on Environmental Quality
- Obama’s first policy statement after election was on climate—states his targets/timelines
- Ordered EPA to reconsider California waiver on vehicle tailpipe emissions



....but his first priority is the economy

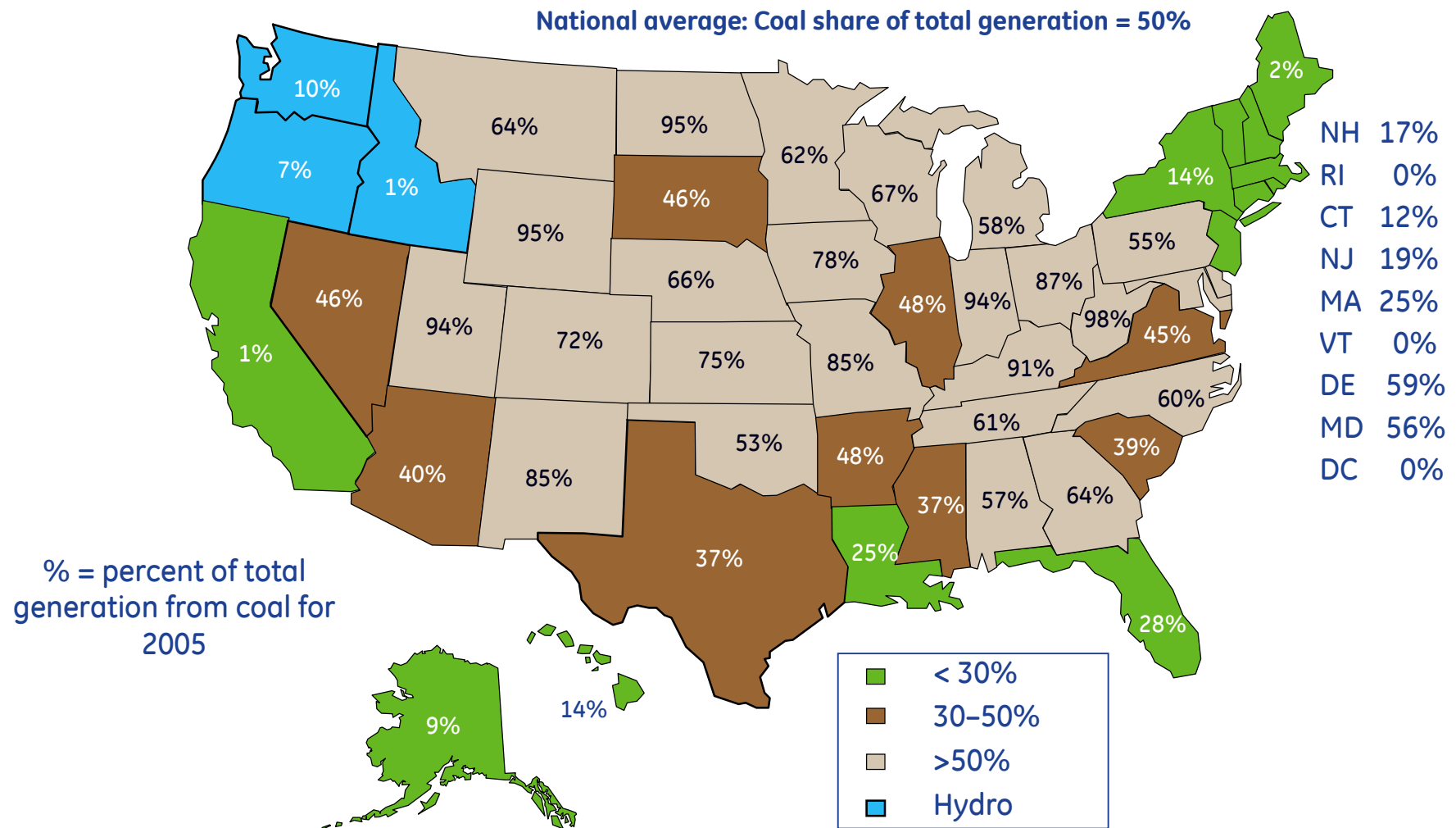
Climate also a Congressional priority

- Increased Democratic majorities in Congress/on Committees increase likelihood of action
- Waxman says Energy and Commerce Committee will report bill by Memorial Day—Pelosi promises House passage before December
- Boxer says Senate Environment Committee will report bill by end of year



.....But other committees will play role and 60 Senate votes required

Coal Generated Electricity by State



EPW Chairman Boxer Announces Climate Principles—Commits to Reporting Bill By end of Year

- Reduce emissions to *levels guided by science* to avoid dangerous global warming
- Set short/long term emission targets that are certain and enforceable with *periodic review based on climate science and adjustments to targets and policies* to meet emissions reduction targets
- *Ensure that state/local entities continue pioneering efforts* to address global warming
- Establish a transparent and accountable *market based systems that efficiently reduce carbon emissions*
- *Use revenues* from carbon market to:
 - Keep consumers whole as our nation transitions to clean energy
 - Invest in clean energy technologies/energy efficiency measures
 - Assist states, localities and tribes in addressing and adaptation to global warming impacts
 - Assist workers, business 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
 - Work with international community, including faith leaders, to provide support to developing nations in responding and adapting to global warming, and to help avoid the threats to international stability and national security posed by global warming
- *Ensure a level global playing field*, by providing incentives for emission reductions and effective deterrents so that countries contribute their fair share to the international effort to combat global warming



“At the press conference, Boxer laid out a timetable that wouldn't see a climate change bill passed until early 2010.”—Feb 3, 2009

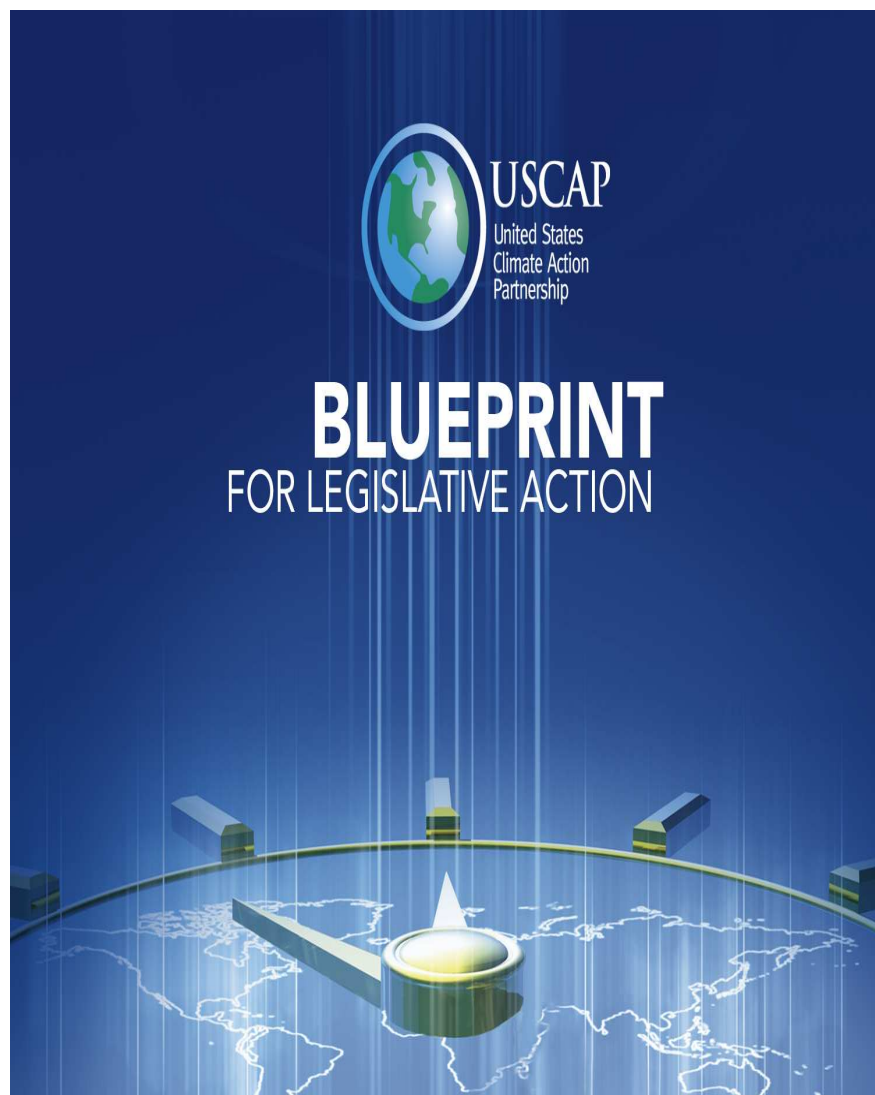


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EPA GHG rules likely, starting with utilities and autos

- California Waiver: EPA regulation of GHGs from motor vehicles being reconsidered—implications for stationary sources because of Clean Air Act “PSD” requirements
- Deseret Guidance: Bush Administration determination that GHGs *not* subject to regulation under Clean Air Act *until* rules limit GHG emissions under review and court challenge—NGOs argue GHG limits required for major sources and BACT must be imposed
- **NSPS for utilities: EPA could propose rule under Clean Air Act Section 111 by as early as April 2**—final rule would clearly trigger PSD review for major GHG sources (100 tons/yr) and other sources (250 tons/yr) and Title V permits for sources with potential to emit 100 tons or more
- Mandatory GHG Reporting: Rule at OMB with legislative deadline of mid-2009. NGOs will likely argue finalization of this rule subjects GHGs to regulation under the Clean Air Act and triggers PSD requirements
- Aviation petitions: NGOs/states have petitioned EPA to regulate aviation GHG emissions under Section 231 of Clean Air Act—endangerment language of this provision nearly identical to provision on motor vehicles—Mass v. EPA ANPR explores range of options for aviation
- Locomotives/Marine/Nonroad Vehicle Petition: NGOs/states have petitioned EPA to regulate GHG emissions from these sources. Again, applicable endangerment provision nearly identical to provision on motor vehicles and —Mass v. EPA ANPR explores range of options for these sources

Background/Prologue/Introduction



- A “balanced and integrated” approach on “key linked” issues
- Intended to be a “blueprint”—recognizes not all issues covered, more details to be filled in during legislative process
- Not the only path forward, recognizes that it is unlikely to be the final word—states willingness to work with others to develop **“environmentally protective, economically sustainable and fair legislation”** as process moves forward

Likely Major Issues in the Debate

- Costs to US Economy particularly in difficult times
- China/Competitiveness/Leakage
- Cap and trade vs. tax
- Preemption of state programs
- Relationship to the current clean air act
- Targets and timelines, particularly for 2012/2020
- Limits on offsets, particularly international offsets
- Cost Containment: Complexity
- Allocation: timeline for transition from mostly free to auction; levels for various sectors/uses
- Technology Transformation: funding/annual appropriations/role of DOE/DOT