



PEW CENTER  
on  
Global CLIMATE  
CHANGE

# United States Debate over Domestic Climate Change Policy

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## Overview of Presentation

- Introduction to the Pew Center
- Predictions regarding US climate change debate
- Explanation of predictions
  - Background on U.S. Government
  - Congressional Debate 1992 – 2006
  - US State Action
  - Business Developments
  - Acknowledgement of Climate Science
  - Public Opinion
  - Congressional Debate 2007 – 2008
- The Next President and Congress

Founded in May 1998

Independent, non-profit, non-partisan

Divided into five major program areas:

Scientific Studies/Analyses

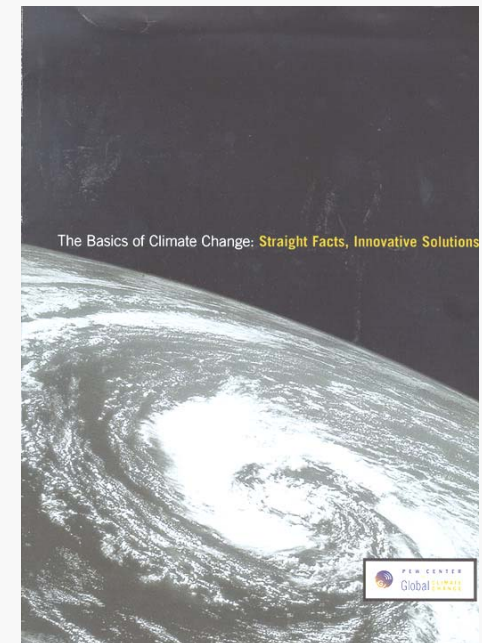
Domestic and International  
Strategies

Outreach Activities

- Business
- States

Solutions

Communications



# Business Environmental Leadership Council



# Predictions regarding the climate change debate in the United States

- The Pew Center expects the next U.S. President, whether McCain or Obama, to propose a framework for a strong domestic GHG reduction program, including a GHG cap-and-trade, in the first half of 2009.
- Congress will likely begin debate over climate measures, including a domestic GHG cap-and-trade, early in 2009.
- It is likely that a cap-and-trade bill will be enacted in 2009 or 2010, though it may have moved only part of the way through Congress by December 2009.

# Explanation of predictions

- The U.S. Constitution makes it difficult to enact a major law
- It often takes many years to enact major laws, including environmental laws.
- Once enacted, environmental laws are typically revised, which can take several years.

- In a vote that pits environmental protection against business interests, typically most Democrats vote for environmental protection, and most Republicans vote for the business interests.
- However, there are important exceptions in both parties.

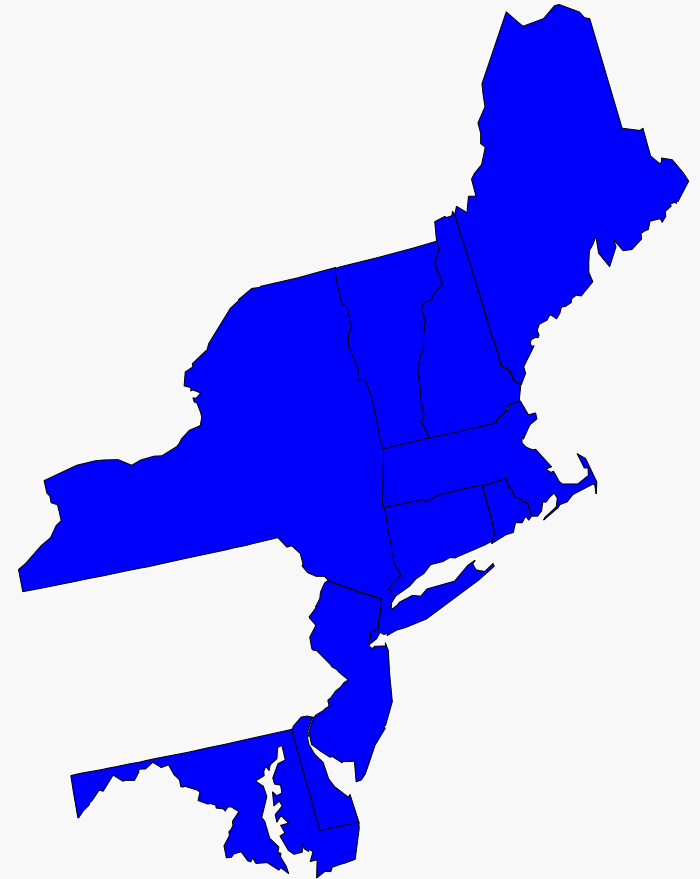
- Most major U.S. environmental laws were passed under Republican Presidents by Congresses in which one or both houses were controlled by Democrats.
- In these cases, moderate Republicans often voted for environmental protection to distance themselves from the anti-environmental reputation of the Republican Party.

## 2001 – 2006

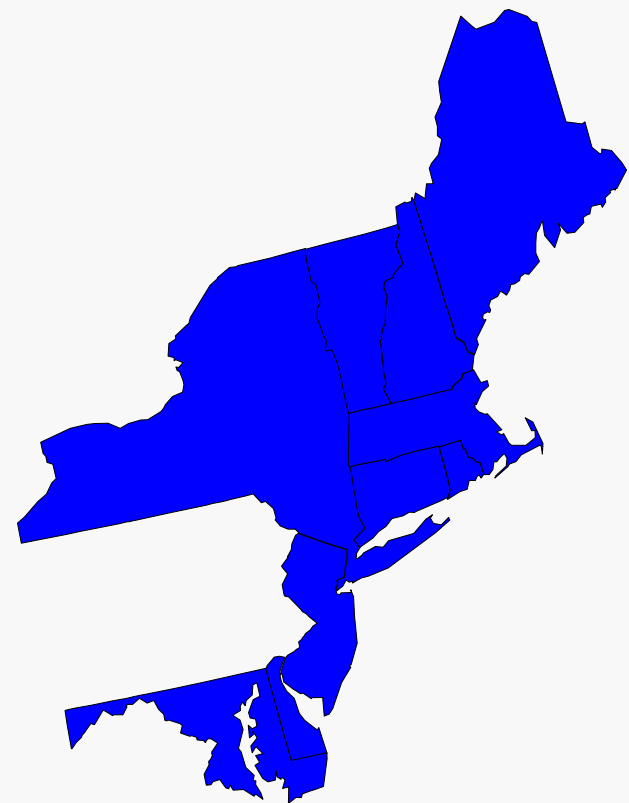
- G.W. Bush opposes Kyoto, breaks promise to limit power plant CO<sub>2</sub> emissions (2001)
- No Man's Land is eliminated: Democrats and moderate Republicans begin to offer climate proposals, though are interrupted by September 11 attack (2001)
- Large minority of Senators vote for McCain-Lieberman GHG cap-and-trade bill (2003)
- Majority of Senators vote for nonbinding resolution supporting mandatory climate action (2005)

- Most US federal environmental laws based on state and local models
- Northeastern states cap power plant CO<sub>2</sub> (Connecticut, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont) (2005) (called “Regional Greenhouse Gas Initiative” or RGGI)

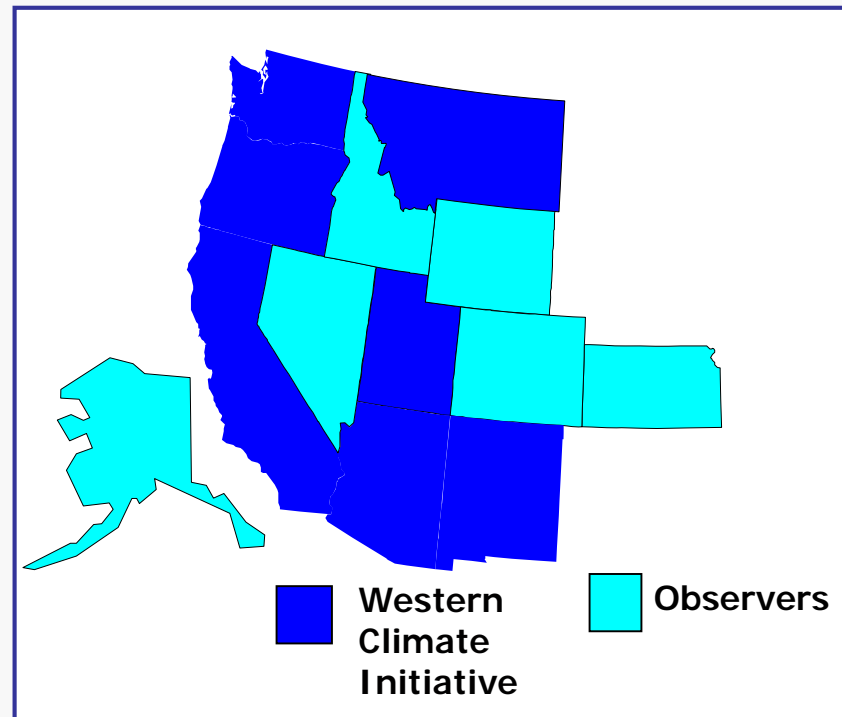
- First mandatory U.S. GHG cap-and-trade program
- 10 states participating (10% of U.S. emissions, equivalent to 8<sup>th</sup> largest emitter in the world)
- Initiated 2003 by NY Gov. Pataki; MOU announced Dec. 2005
- Regional; power plant CO<sub>2</sub> emissions
- Stabilize emissions at current levels 2009-2015, 10% reduction by 2019
- Model rule (template) announced August 2006
- Each state must adopt final model rule through legislation or regulation by Dec. 31, 2008



- Next steps:
  - Adopting model rule state-by-state (by end of 2008)
  - Working on allowance auction design
    - Most states have committed to or are considering 100% auction; first auction in Sept. 2008
- Regional organization ("RGGI, Inc.") now up and running
- Working on leakage issues; developing systems to track imported electricity/emissions leakage
- May link to California or other Western states (WCI) and EU

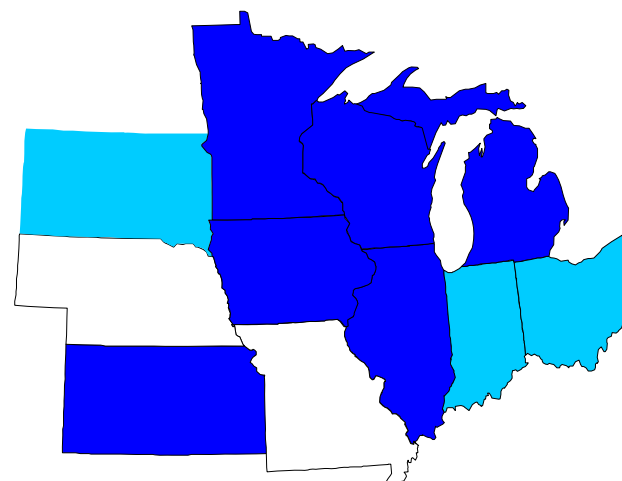


- Established February 2007 by Governors of Arizona, California, New Mexico, Oregon, and Washington
  - Utah, Montana, British Columbia, Manitoba, and Quebec have since joined
  - Other states, provinces observing
- Without counting Canadian Provinces, responsible for over 12% of U.S. emissions; comparable to Germany (7<sup>th</sup> largest emitter)
- Broader than RGGI; regional, economy-wide GHG target: 15 percent below 2005 levels by 2020 (~33 percent below BAU levels)
- By September 2008, will devise a cap-and-trade program to help meet the target
- Multi-state registry to track/manage GHG emissions



# Midwest GHG Reduction Accord

- Announced November 2007
- Six states, one Canadian province, three observers
  - Six member states emit nearly 14% of U.S. emissions (close to Germany, the 7<sup>th</sup> largest emitter)
- Will set emissions reductions targets, including long-term targets of 60-80% below current levels by mid-century
- Will set up multi-sector cap-and-trade program, adopt other policies (such as low-carbon fuels standards).



- Midwest  
Greenhouse Gas  
Reduction Accord**
- Midwest Accord -  
Observer**

- Potential models, lessons for national policy
- Novel standards approach to offsets (RGGI)
- Real data to inform policy
- Allowance allocation is the forum for equity issues
- States can achieve greater benefits, achieve greater reductions at lower cost by working together

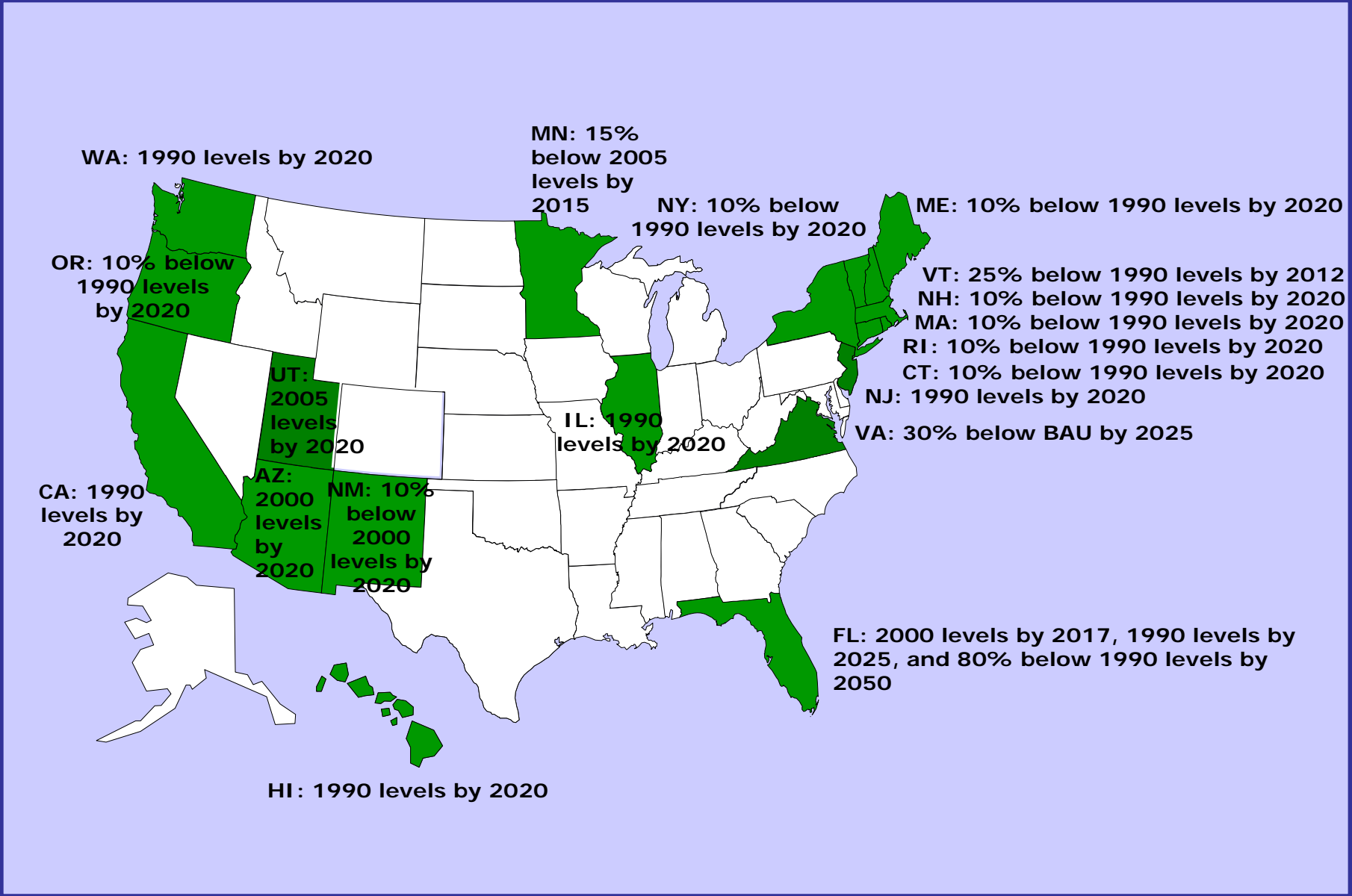
- AB 32: Global Warming Solutions Act of 2006
  - MAC report released last year; recommendations for design of cap-and-trade system in CA
- January 2007: Proposed Low Carbon Fuels Standard (reduce carbon intensity of vehicle fuels sold in California at least 10% by 2020)
- CA Air Resources Board approves early emissions reduction measures
  - Go into effect in 2010; affect trucking, cement, aluminum industries as well as ports, aerosol products, tire inflation requirements
- Vehicle GHG standards: 22% reduction by 2012; 30% by 2016
  - 16 states now poised to adopt in addition to CA
  - Two separate law suits settled in favor of California
  - EPA waiver denied in December 2007; California has sued

## **Governor Charlie Crist signs 3 climate- related Executive Orders in July 2007**

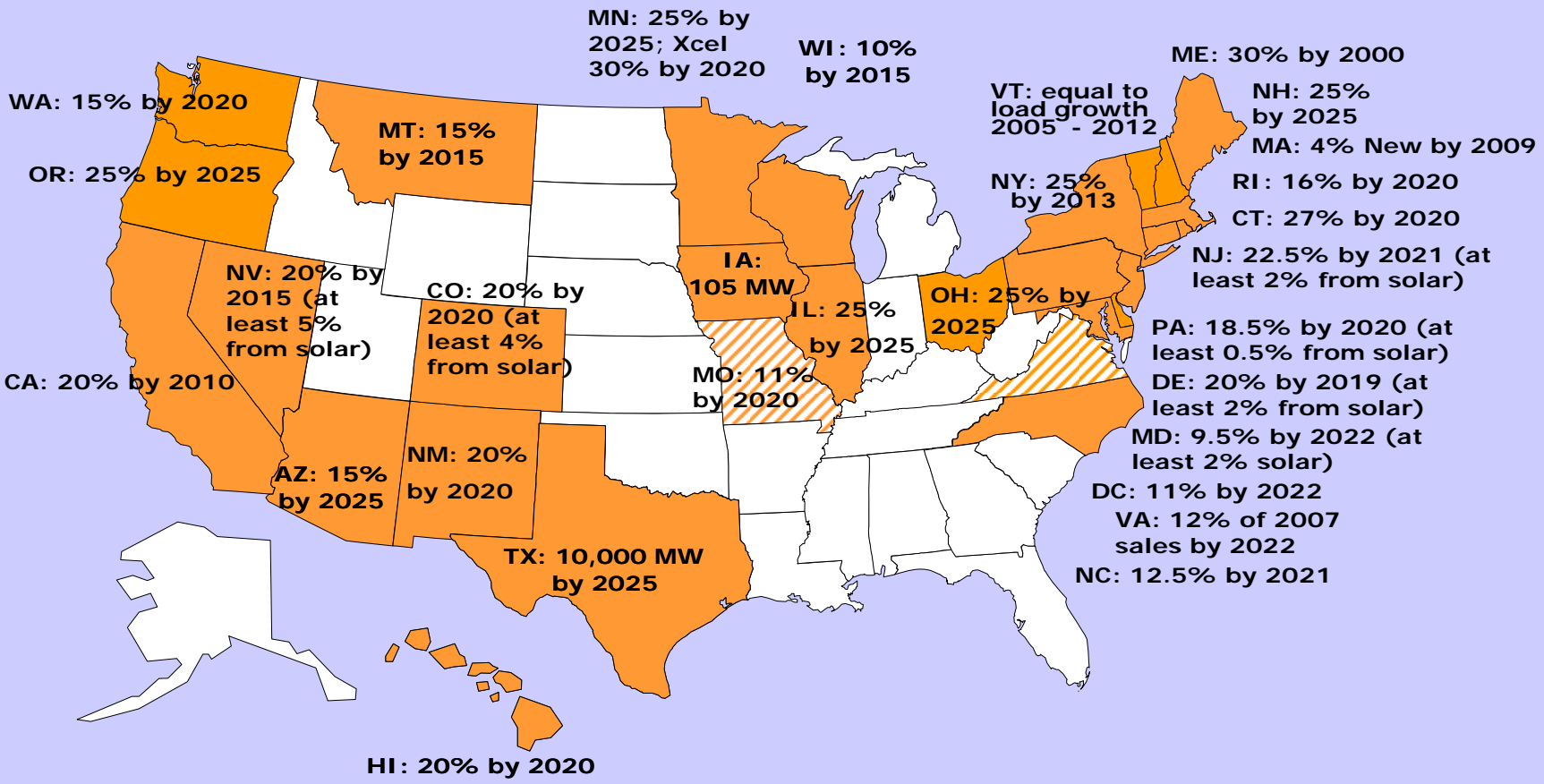
- Statewide GHG emissions target: 2000 GHG levels by 2017; 1990 levels by 2025; 80% below 1990 levels by 2050
- Creates Florida Governor's Action Team on Energy and Climate Change to develop an Energy and Climate Change Action Plan
- Adopts California's vehicle GHG emission standards
- Electric Utilities must reduce GHG emissions to 2000 levels by 2017; 1990 levels by 2025; 80% below 1990 levels by 2050
- Asks the state PUC to initiate rulemaking to adopt a 20% Renewable Portfolio Standard this year, with a strong focus on solar and wind
- Building efficiency codes
- Other measures

- Florida bill authorizing electricity sector cap-and-trade (May 2008)
- Ohio Alternative Energy Portfolio Standard (25% by 2025, 12.5% from renewables only) – (May 2008)
- Kansas denial of coal plant permits – (Oct. 2007)
- Washington adopts VMT reduction targets (18% by 2020, 50% by 2050); bolsters support for “green-collar” jobs (March 2008)
- New Mexico adopts utility profit decoupling, efficiency targets (10% of 2005 sales by 2020) – (February 2008)
- Colorado Governor Releases Climate Action Plan (Nov. 2007)

# 19 States with GHG Emission Targets



# Renewable Portfolio Standards

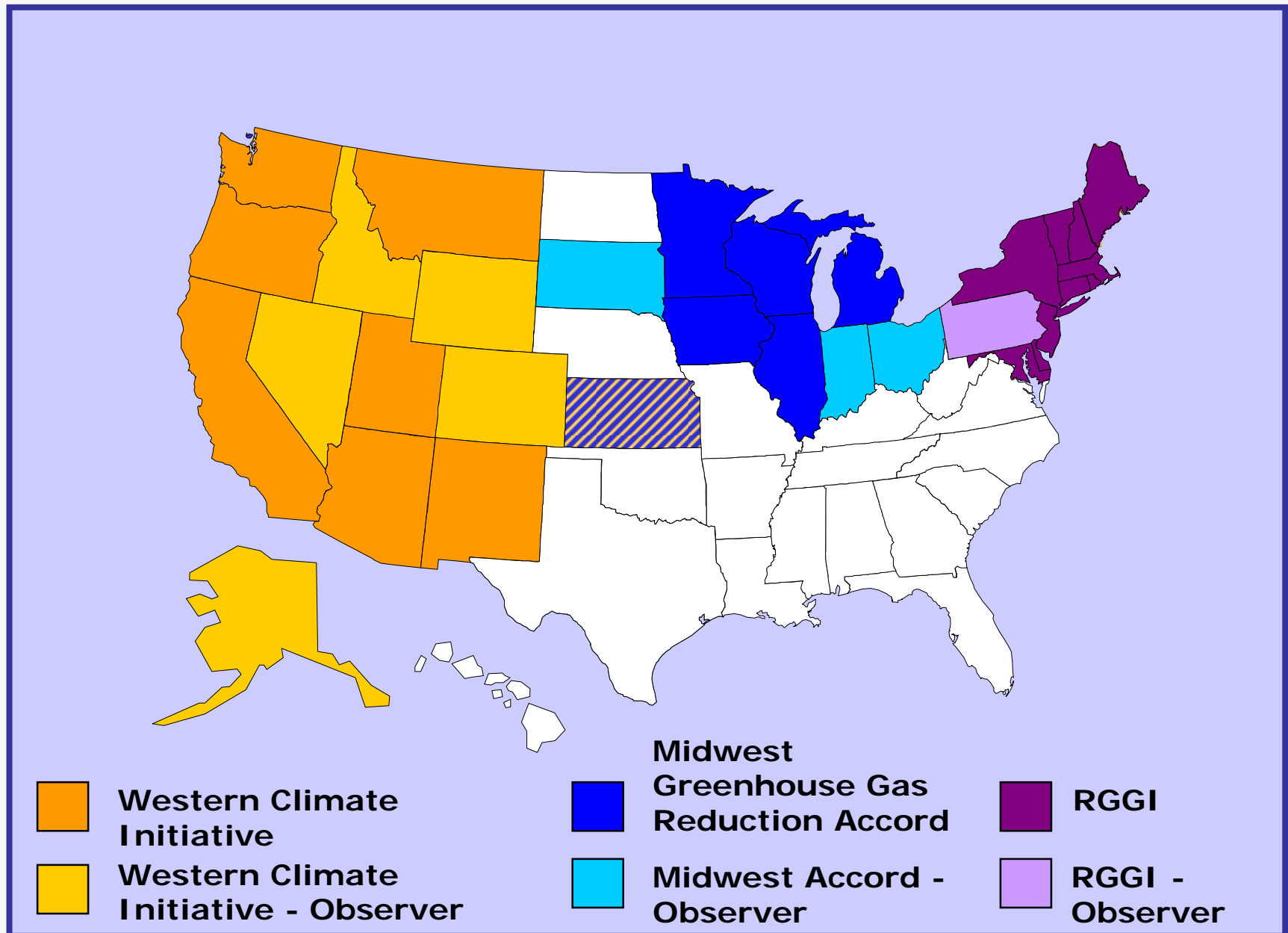


Mandatory RPS

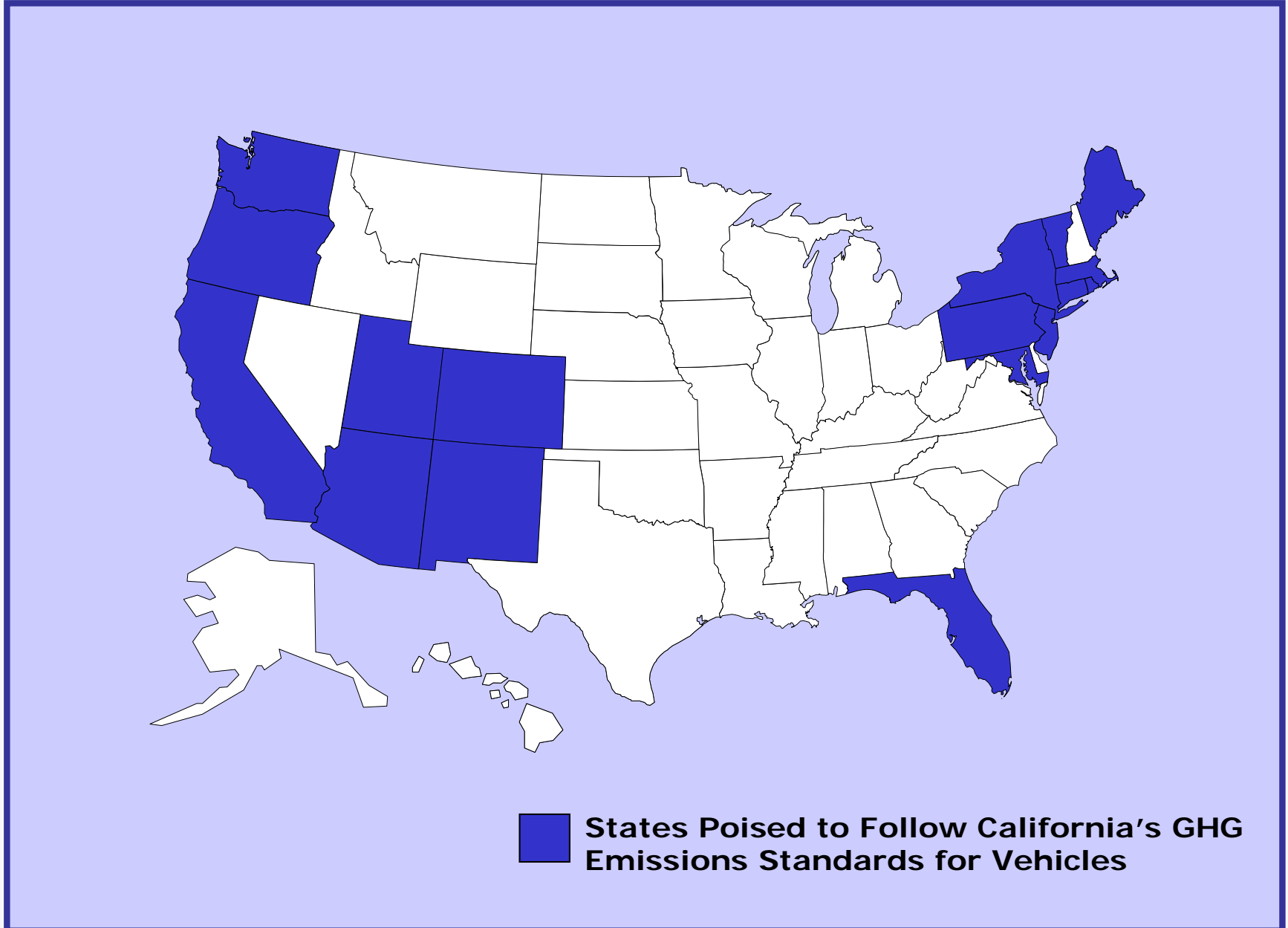


RPS implemented through voluntary utility commitments

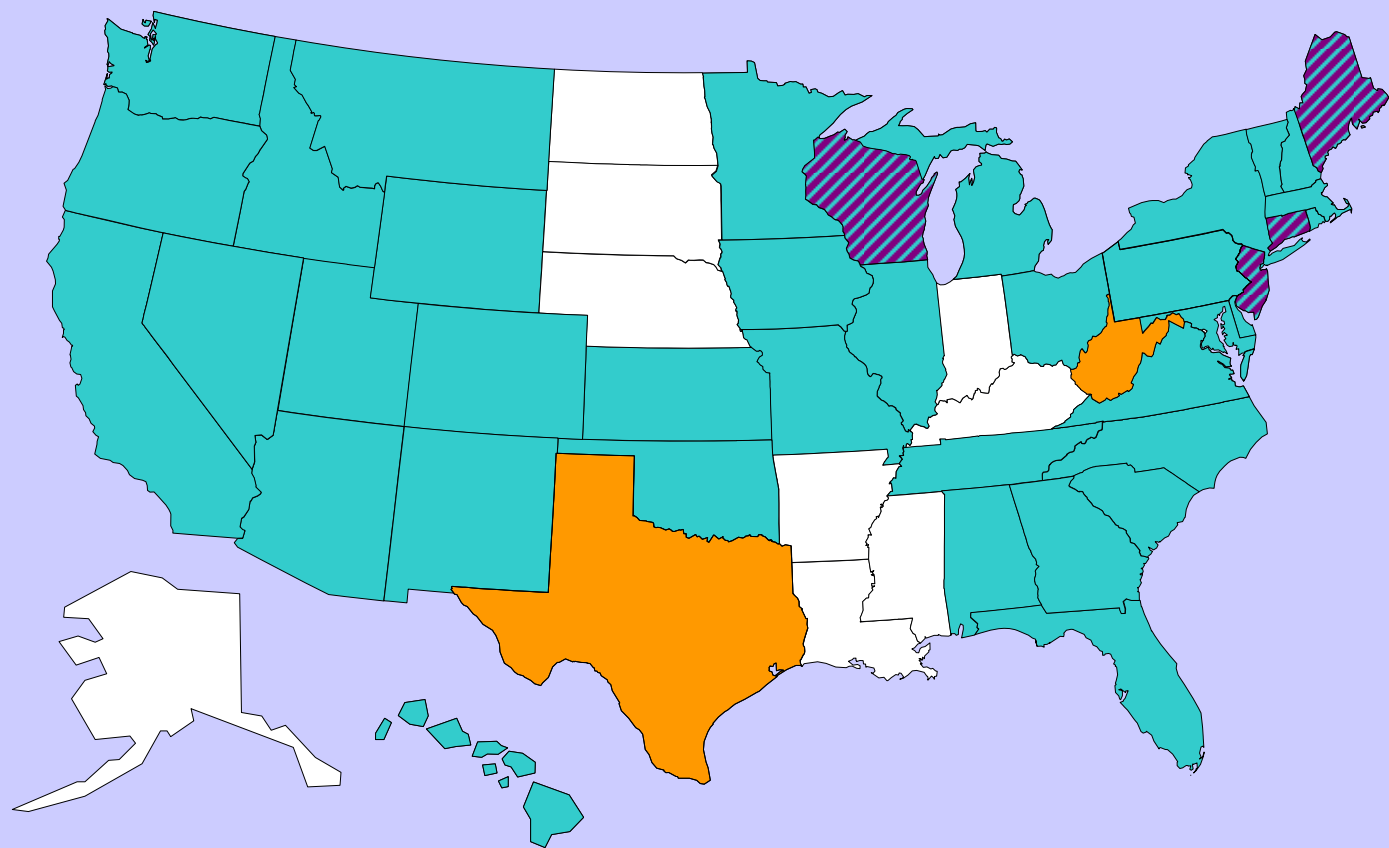
# Regional Cap-and-Trade Initiatives



# Vehicle GHG Standards




# GHG Reporting and Registries

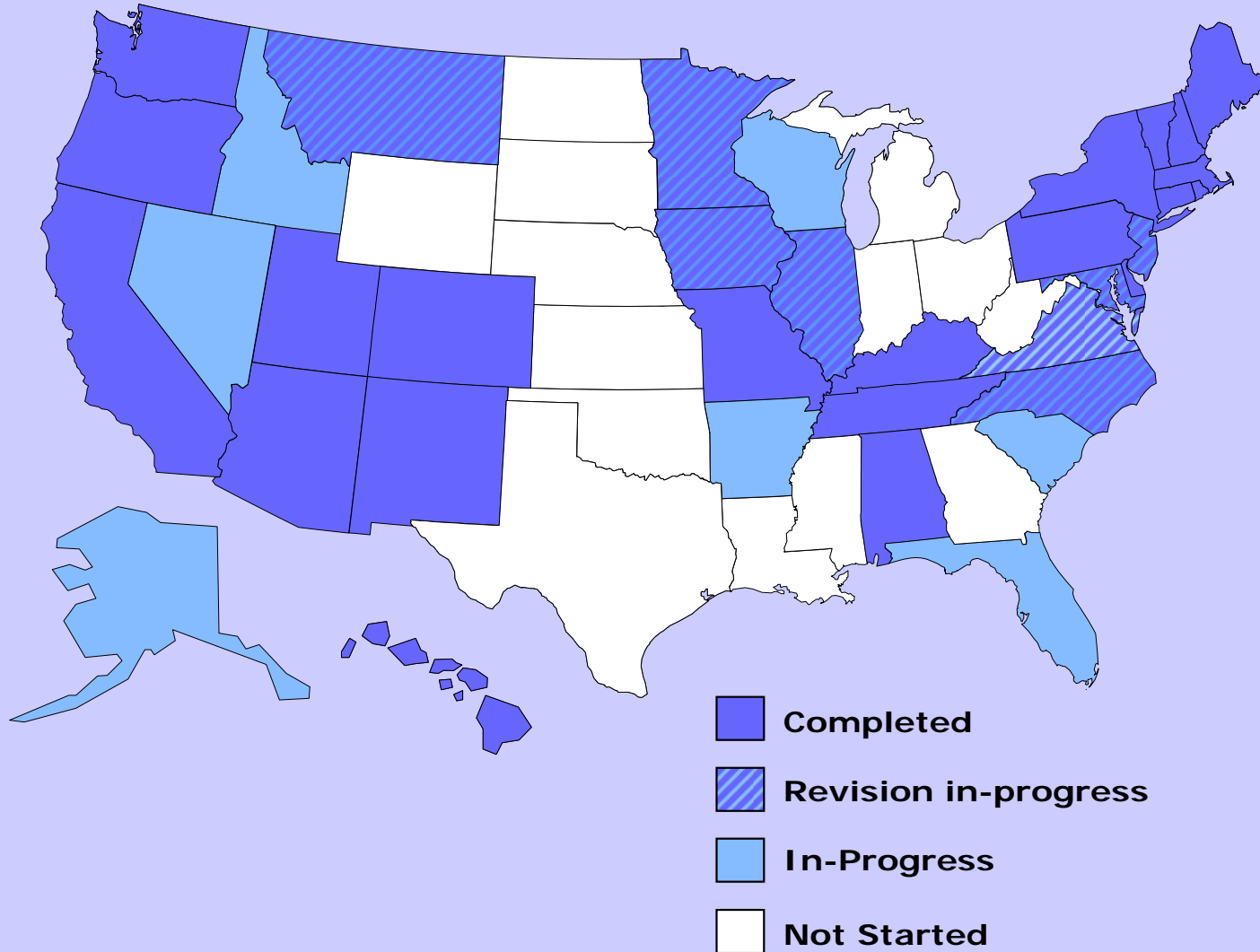


 The Climate Registry

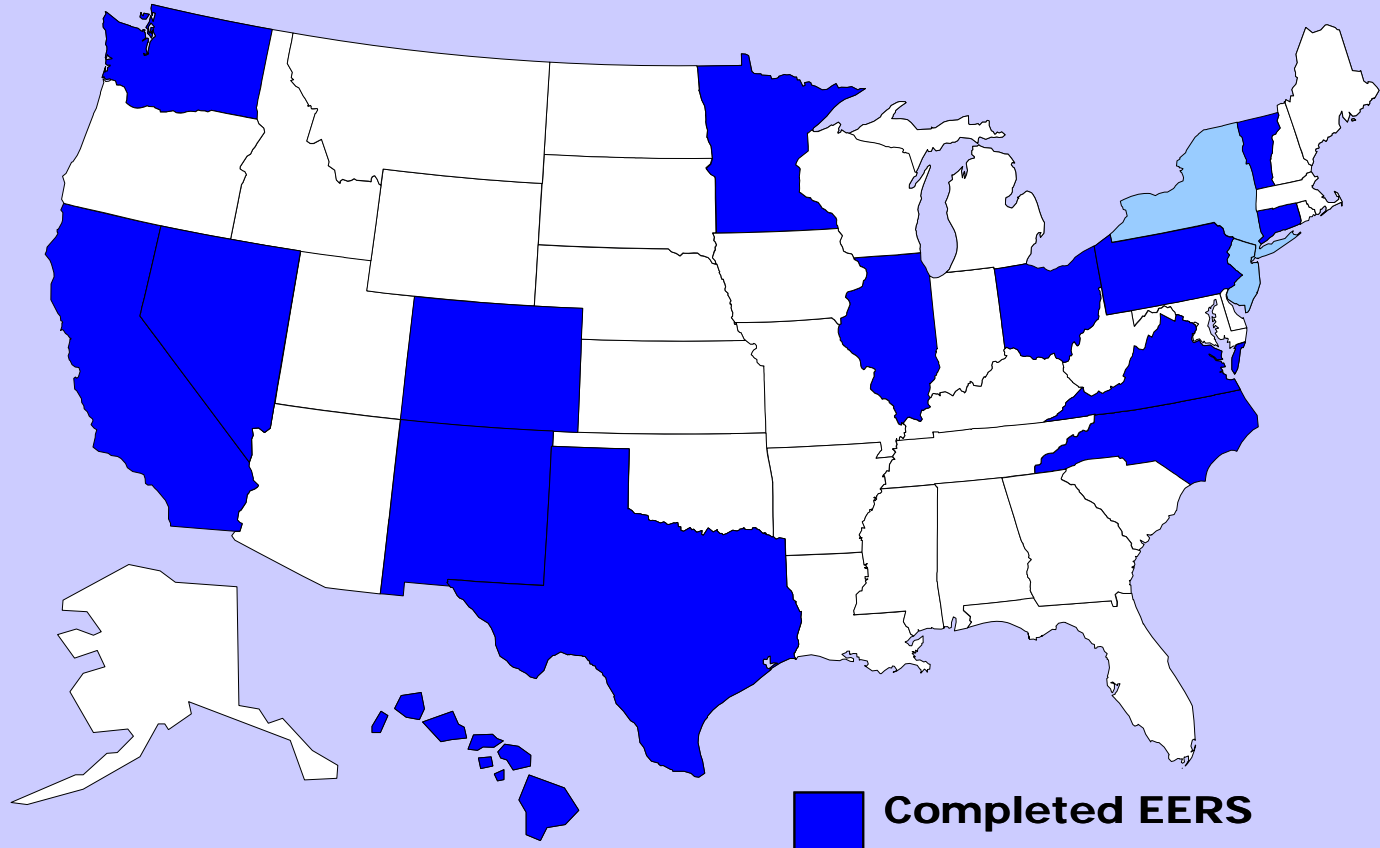
 Independent Voluntary Registries


 Independent Mandatory Reporting


# Climate Action Plans



# States with Energy Efficiency Resource Standards



 Completed EERS

 Pending EERS

- Formed October 2007 by 10 U.S. states, 9 EU countries, the EU commission, 2 Canadian provinces, New Zealand, and Norway
- Each of the member governments has either established or is in the process of designing cap-and-trade systems to reduce greenhouse gas emissions
- Provides a forum for members to share experiences, research, and best practices on the design of trading schemes; will help the different trading systems develop in a compatible manner
- May facilitate the transition to a potential global carbon market in the future

- Question is not whether responsibility for climate change action should rest exclusively with the federal government *or* the states, but rather how they should *share* responsibility.
  - Given the relative historical competencies of state and federal governments, there will be a substantial role for each in future climate policy; history of environmental policy shows that a shared approach is more effective
  - Some aspects of policy (e.g. a national cap-and-trade system) can be more effectively implemented at federal level
  - Others (transportation, land-use planning, renewable energy) can be more effectively achieved by states
- Options for state roles within cap-and-trade include granting allowances to states and allowing them to retire some of them (e.g. Lieberman-Warner)

- At Yale University's 2008 Conference of Governors on Climate Change in April 2008, reps from 18 states signed a joint declaration on the future of climate change policy in the United States
- The Declaration identifies principles to help inform national climate policy:
  - need for a partnership approach between the federal and state governments
  - state-based programs should continue to receive support
  - mandatory action at both the state and federal level should be rewarded and encouraged.
- Agree to solicit the support of other states and members of Congress in taking action.
- Will reach out to current Presidential candidates in order to help shape the first 100 days of the next Administration

L-W provides assistance for state governments to:

- Transition state climate programs to federal program
- Fund mass transit, transportation alternatives and travel demand reduction projects
- Update state building efficiency codes
- Fund energy efficiency and conservation
- Fund climate change adaptation, especially for impacts to coastal areas, agriculture, water resources, natural resources
- Assist in transition for manufacturing and coal

L-W also provides support for Indian tribe activity

## L-W protects State and Tribal authority

- "[N]othing in this Act precludes, diminishes, or abrogates the right of any State to adopt or enforce (1) any standard, limitation, prohibition, or cap relating to emissions of greenhouse gases, or (2) any requirement relating to control, abatement, mitigation, or avoidance of emissions of greenhouse gas."

- Momentum is picking up at the federal level, but states are still leading on climate
- Achieving real emissions reductions
- States provide models and lessons for federal action
- Even with federal action, sub-national efforts will play a key role; each level of government has an appropriate role in climate policy
- Trend toward regional action

Growing belief in US industry that climate action is now inevitable and possibly desirable.

Progressive businesses:

- Want regulatory certainty
- Concerned that Supreme Court will require US Environmental Protection Agency to regulate GHGs
- Concerned with state action
- Concerned with US public pressure
- Already experience GHG regulation in European Union
- Want US to influence post-2012 treaty negotiations

## U.S. Climate Action Partnership (USCAP)

([www.us-cap.org](http://www.us-cap.org))

### Members:

- **Companies:** AIG, Alcoa, Alcan, Boston Scientific, BP America, Caterpillar, Chrysler, Conoco-Phillips, Deere, Dow, Duke, DuPont, Exelon, Ford, FPL, GE, GM, J&J, Marsh, NRG, PepsiCo, PG&E, PNM, Rio Tinto, Shell, Siemens, Xerox
- **NGOs:** Pew Center, Environmental Defense, Natural Resources Defense Council, National Wildlife Federation, Nature Conservancy, World Resources Institute

## Harris poll, November 2007:

- A 71% to 23% majority believes that current trends will lead to global warming and an increase in average temperatures.
- 87% of all adults agree with the statement that "since emerging countries such as India and China will soon pass the United States as the largest contributor of greenhouse gases, whatever is done to control these gases should be undertaken by almost all industrial countries".
- 81% believe that "the United States needs to set the lead when it comes to controlling greenhouse gases and pollution".

- So far in 110<sup>th</sup> Congress (2007-2008) there have been over 215 hearings held and nearly 250 bills introduced, much more than previous Congresses.
- 2007 Energy Bill has effect on GHG emissions:
  - Vehicle efficiency standards
  - Renewable fuel standard
  - Appliance efficiency standards
- However, today in Washington, “climate bill” = GHG cap-and-trade bill.

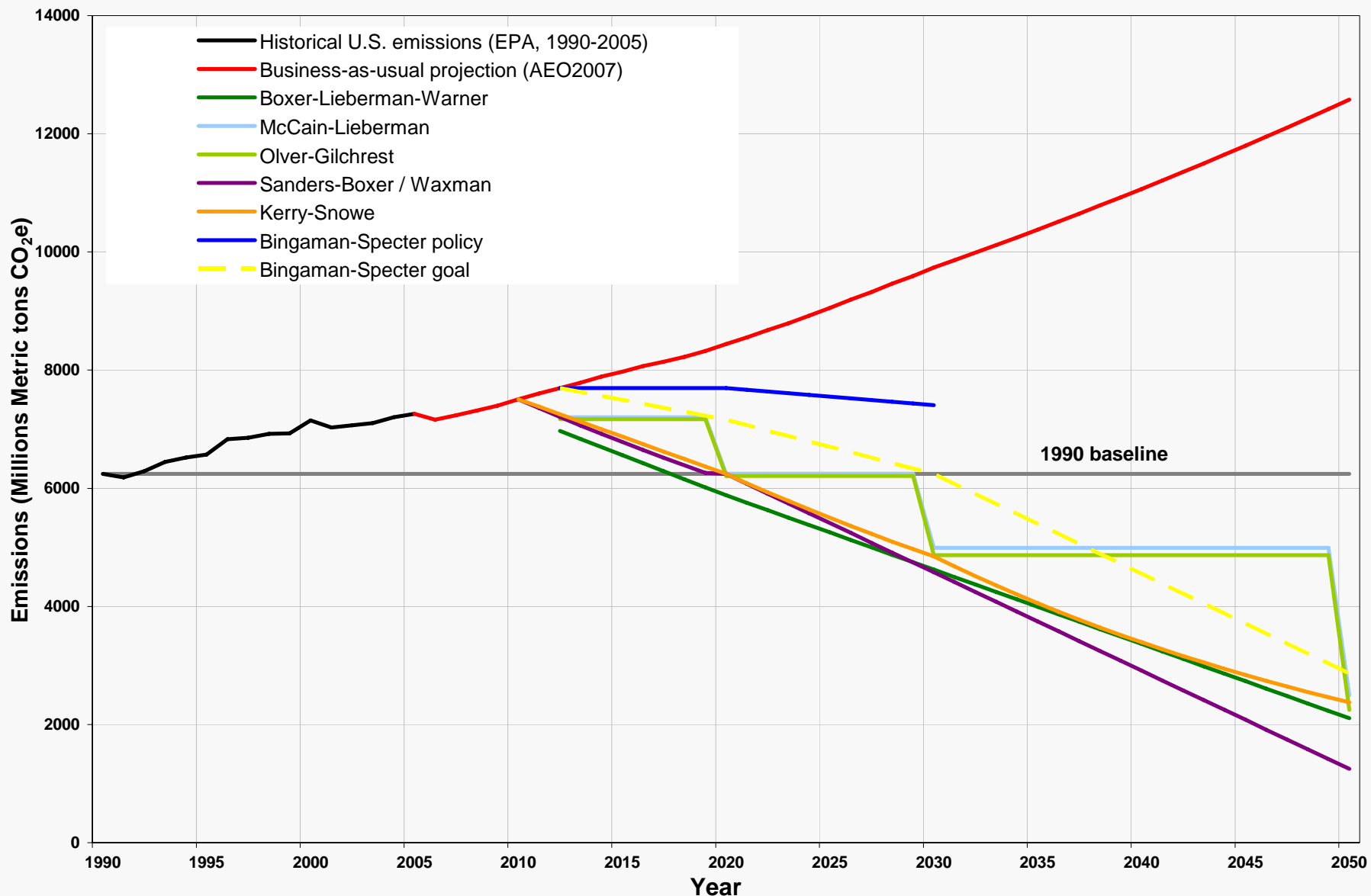
## Greenhouse gas cap and trade:

- Government sets environmental goal; Industry decides how to meet it.
- Annual mandatory limit (“cap”) placed on total US GHG emissions.
- Covered entities (power plants, factories, oil companies) must annually submit one emission allowance for every ton of GHG emitted.
- Covered entities and others may buy and sell allowances on open market.
- Efficiencies and technological breakthroughs in one industry sector benefit entire economy.

In designing a GHG cap-and-trade, must answer:

- What targets and timetable?
- Which industries are covered by program?
- How to allocate or auction GHG allowances?  
(about \$7 trillion from 2012 – 2050 under  
Lieberman-Warner)
- How to contain program costs?
- How to promote rapid deployment of carbon  
capture & sequestration of coal power emissions?
- How to protect US manufacturers from price  
advantage for imports from countries without  
GHG mitigation programs?

# Congressional Debate 2007 - 2008



Senate held debate on debate Boxer-Lieberman-Warner GHG cap-and-trade bill, June 2 – 6, 2008 :

- Debate was very disappointing
- No votes were held on amendments
- No final vote was held on the bill itself
- The vote on whether to amend and have a final vote on bill failed
- Too much discussion of gasoline prices and the economy
- Too little understanding of the negligible effect of B-L-W bill would have on gasoline prices and economy

Still, something can be learned from event.

Results of the June 6 vote on whether to amend and vote on B-L-W (note that this was not a vote on the B-L-W bill itself):

- 48 Senators voted yes
- Another 6 Senators would have voted yes if present
- Another 6 Senators on record supporting cap-and-trade
- Another 6 Senators on record supporting mandatory GHG reduction

60 Senators are needed to enact major legislation.

From the June 2 – 6 debate, we learned:

- The B-L-W bill itself had very little support – perhaps no more than 35 – 40 Senators.
- Nevertheless, a majority of U.S. Senators support mandatory climate action, probably in the form of GHG cap-and-trade.
- However, the design of the cap-and-trade program is still very controversial.
- Without strong presidential leadership, the debate could last for years.

# The Next President and Congress

- The next President will support climate action: McCain and Obama both support GHG cap-and-trade.
- More Democrats are expected to be elected to Congress this November.
- It is likely that Congress will begin debate over climate measures, including a domestic GHG cap-and-trade, early in 2009.

## The next President:

- Is expected to propose a framework for GHG cap-and-trade bill in first half of 2009;
- Can focus public attention on climate change;
- Can put pressure on Congress; and
- Is expected to be the single biggest force in Congressional debate.

However:

- Gasoline prices and economic recession are still likely to be issues;
- Coal, oil and gas states have the same interests, whether represented by Democrats or Republicans; and
- It will take the President months to put his team in place.

- It is likely that a cap-and-trade bill will be enacted in 2009 or 2010, though it may have moved only part of the way through Congress by December 2009.

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