

Developments in U.S. National Climate Change Policy: Focus on Congressional Proposals

Presentation to ETS Subcommittee
June 14, 2010

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Overview



- American Clean Energy and Security Act (House of Representatives)
- American Power Act (Senate)
- **EPA's economic analysis**
 - Key results
 - International analysis in detail
- Summary of EPA regulatory actions

American Clean Energy and Security Act of 2009 (ACES)



- Passed by the House of Representatives
 - Multi-sector cap and trade program
 - 17% reduction in capped sectors by 2020, 83% by 2050, from 2005 levels
 - ~85% U.S. emissions covered, 6 greenhouse gases
 - Flexibility & cost-containment mechanisms such as international offsets, banking, borrowing, and a strategic reserve
 - Competitiveness provisions include output-based allocations and border measures
 - Includes renewable energy standard and various energy efficiency measures

American Power Act



- Introduced to the Senate as a “discussion draft” on May 12, 2010
- Major provisions very similar to ACES:
 - Same percentage reductions as represented by cap starting in 2013
 - 2 billion tons of offsets allowed annually
 - Provisions to address competitiveness and emissions leakage
- Some differences:
 - Later start year (2013) and longer phase-in of sources (industrial sector covered in 2016)
 - **Transportation sector included via a “set-aside” compliance system rather than covered directly**
 - No renewable energy standard

EPA's Economic Analyses

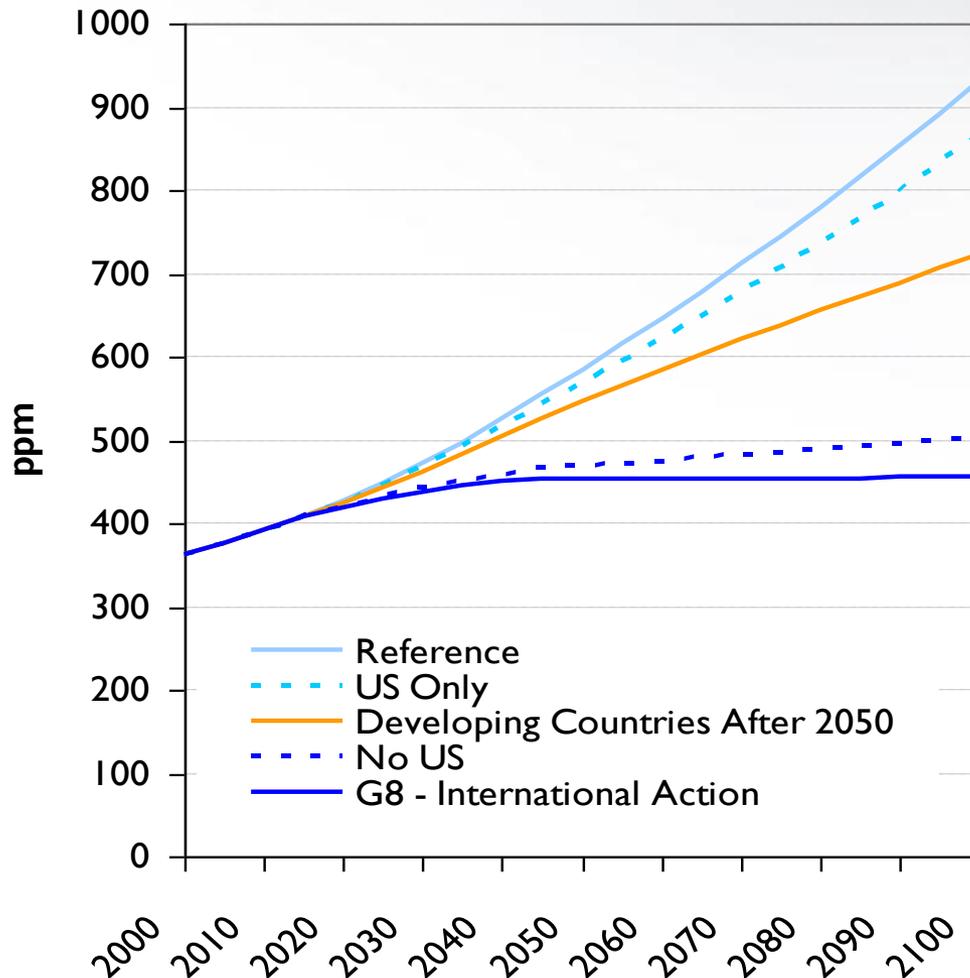


- EPA has developed analyses including:
 - American Clean Energy and Security Act (ACES)
 - Interagency report on international competitiveness and emission leakage
 - American Power Act (APA)
- Our analyses show that these bills:
 - Drive transformation in the energy sector
 - Reduce emissions cost-effectively through trading
 - Do so with relatively modest impact to consumers and trade-exposed industries

EPA's Economic Analyses- International action



CO₂-equivalent Concentrations
(Climate Sensitivity = 3.0)



- G8 International Action scenario: Consistent with G8 agreement to reduce global emissions to 50% below 2005 levels by 2050.
- Under the G8 agreement, EPA's analysis shows that CO₂e concentrations of 450 ppm and temperature rises of 2°C in 2100 are attainable.
- CO₂e concentrations through 2100 are presented here assuming a climate sensitivity of 3.0 (CS is the equilibrium temperature response to a doubling of CO₂. **3.0 is deemed "most likely" by the IPCC**).
- Source: GCAM and MAGICC models

EPA's Economic Analyses- International offsets



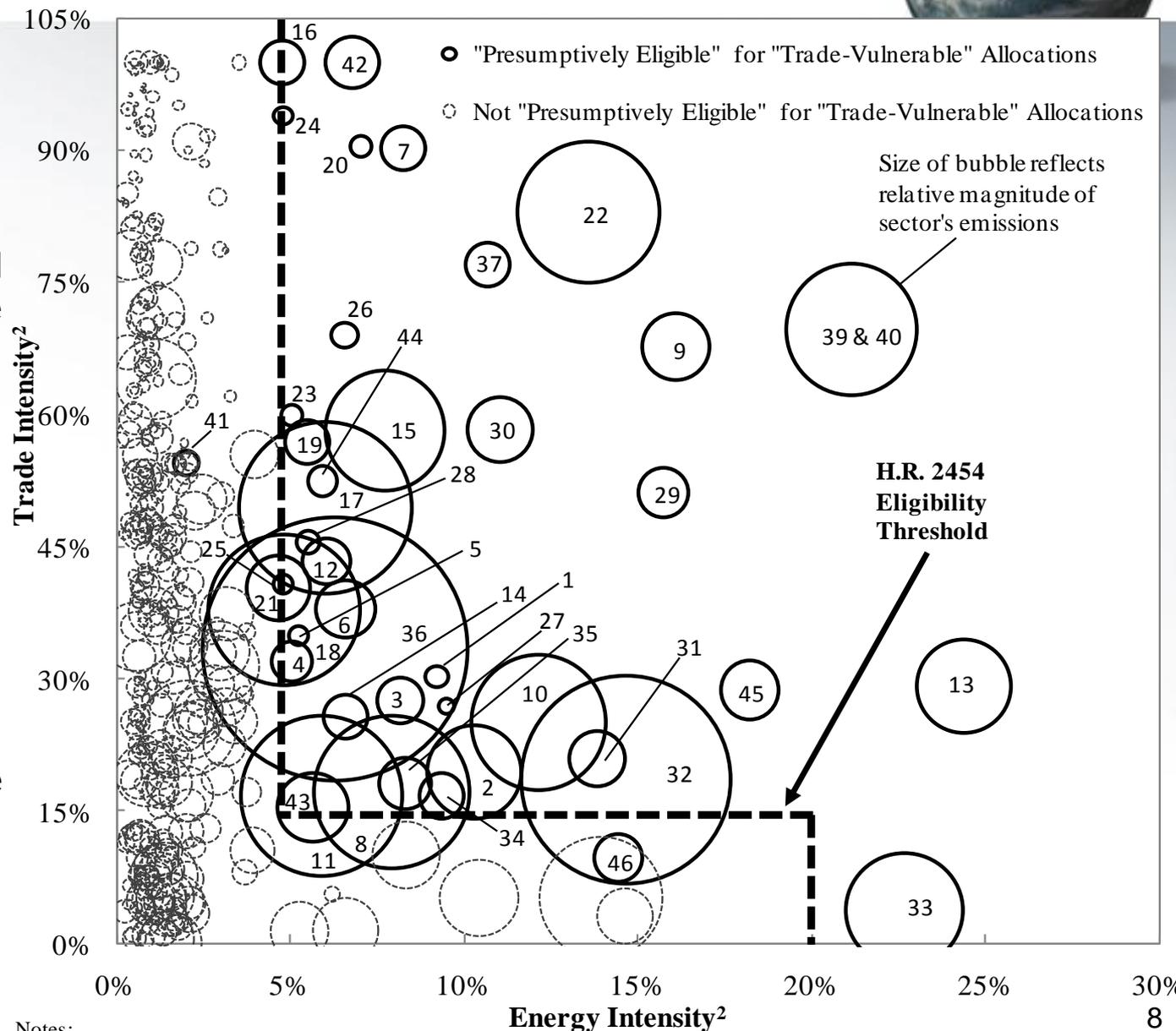
- International offsets are a key compliance mechanism and cost-containment tool in climate bills
- Without international offsets, allowance prices increase substantially, as shown below for ACES (H.R. 2454)

	<u>International Offsets Usage</u>		<u>% Change from Scn. 8</u>	
	Cumulative (GtCO ₂ e)	Avg. Annual (MtCO ₂ e)	Intl Offsets Usage	Allowance Price
Scn. 8 - H.R. 2454 (Updated)	30	757	n/a	n/a
Scn. 9 - No Int'l Offsets	0	0	-100%	54%
Scenario 9a – Int'l offsets delayed 10 years	28	725	-4%	2%
Scenario 9b – Int'l offsets delayed 20 years	26	668	-12%	5%
Scenario 9c – No REDD offsets	15	375	-51%	25%
Scenario 9d – No domestic offsets	42	1,085	43%	3%
Scenario 9e – No int'l or domestic offsets	0	0	-100%	126%
Scn. 13 - 20% 2020 Cap	31	793	5%	0.4%
Scn. 14 - 14% 2020 Cap	28	721	-5%	-0.4%

EPA's Economic Analyses- International competitiveness



- ACES and APA include eligibility criteria for competitiveness provisions.
- Sectors to the right of and above the bold dashed line are considered “energy-intensive trade exposed” industries in ACES.
- They are mostly in the following industries: chemicals, pulp/paper, iron & steel, nonferrous metals, nonmetallic minerals.
- Full report and figure are on our website.

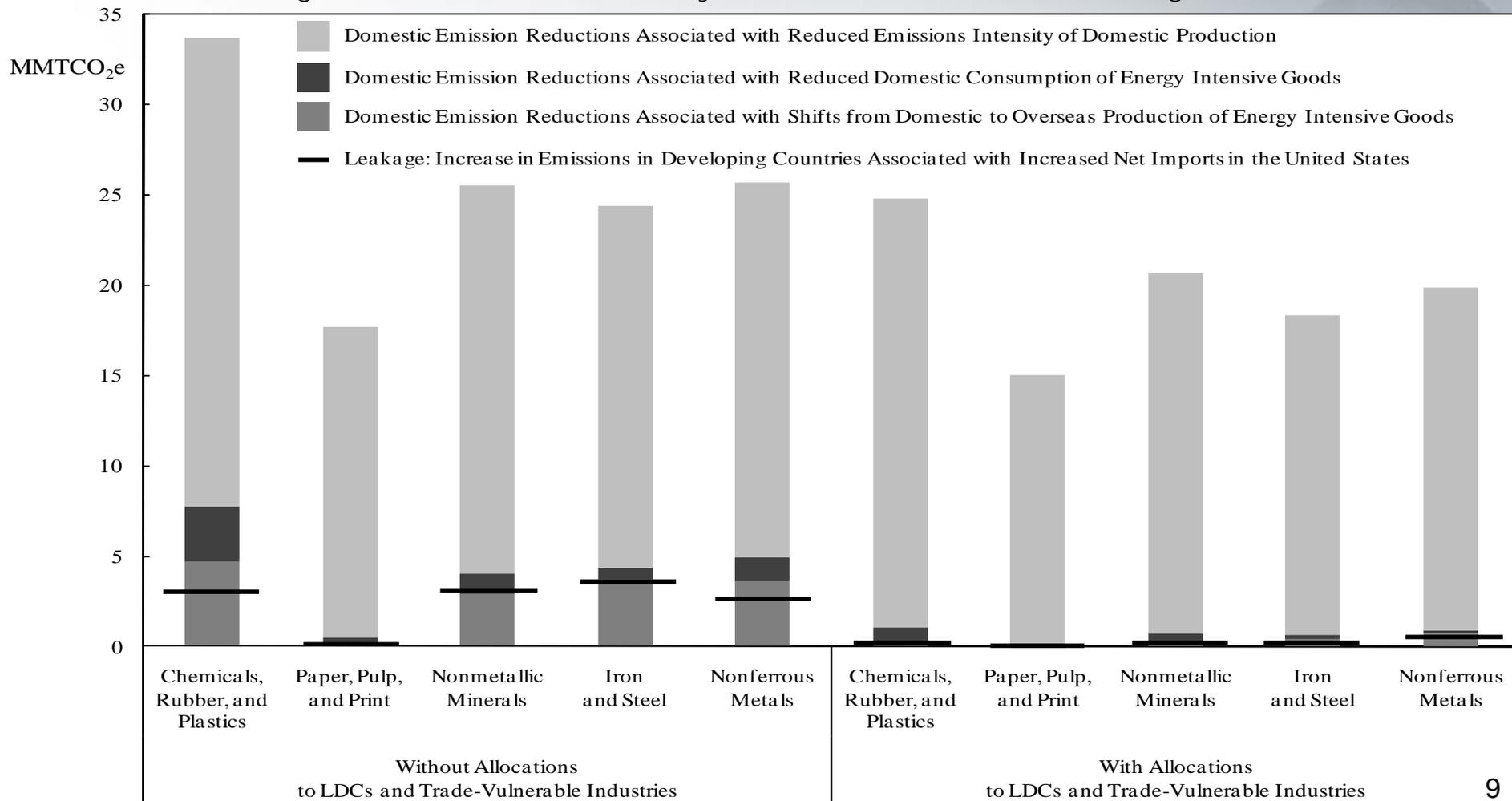


Notes:

EPA's Economic Analyses- International competitiveness



- Interagency analysis has shown that the implementation of output-based rebating in ACES can effectively eliminate emissions leakage.



EPA's Recent Regulatory Actions



- Major rule-makings
 - GHG Reporting Program
 - Endangerment Findings
 - Light Duty Vehicle Rule
 - Tailoring Rule
- Taking a pragmatic, common sense approach focusing on largest emitters and most effective mitigation opportunities
- Still balancing multiple policy approaches

For more information



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EPA's climate change website:

www.epa.gov/climatechange

Economic analyses:

<http://epa.gov/climatechange/economics/economicanalyses.html>