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Recent Developments in U.S. Climate Policy

at Peterson Institute for International Economics

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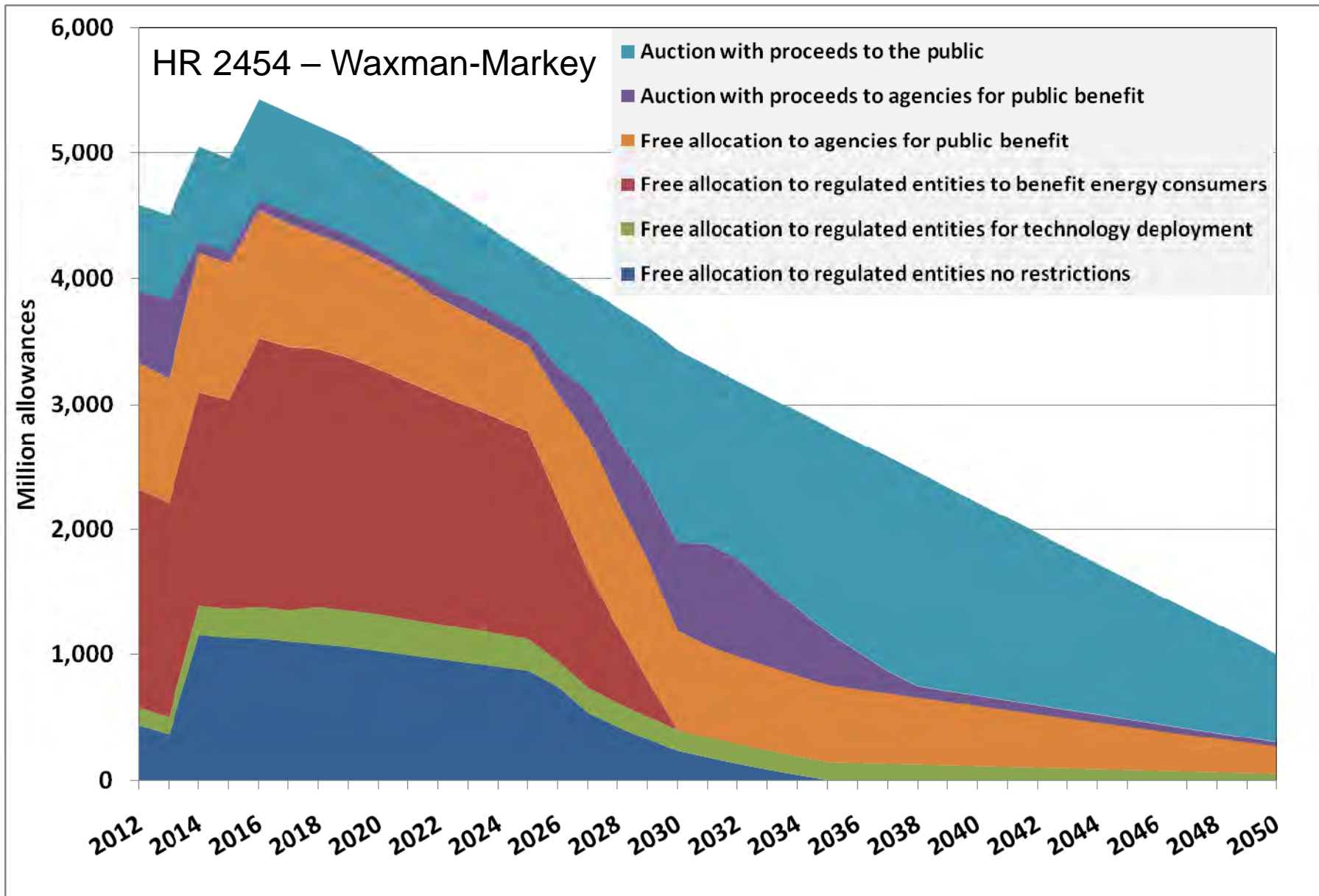
Overview

- Quick summary of HR 2454 (Waxman-Markey), the House-passed climate bill
- EPA efforts to regulate GHG emissions
- Ongoing Regional and State-level efforts
- Prospects for Senate Action in 2010

Waxman-Markey H.R. 2454: Comprehensive Energy and Climate Bill

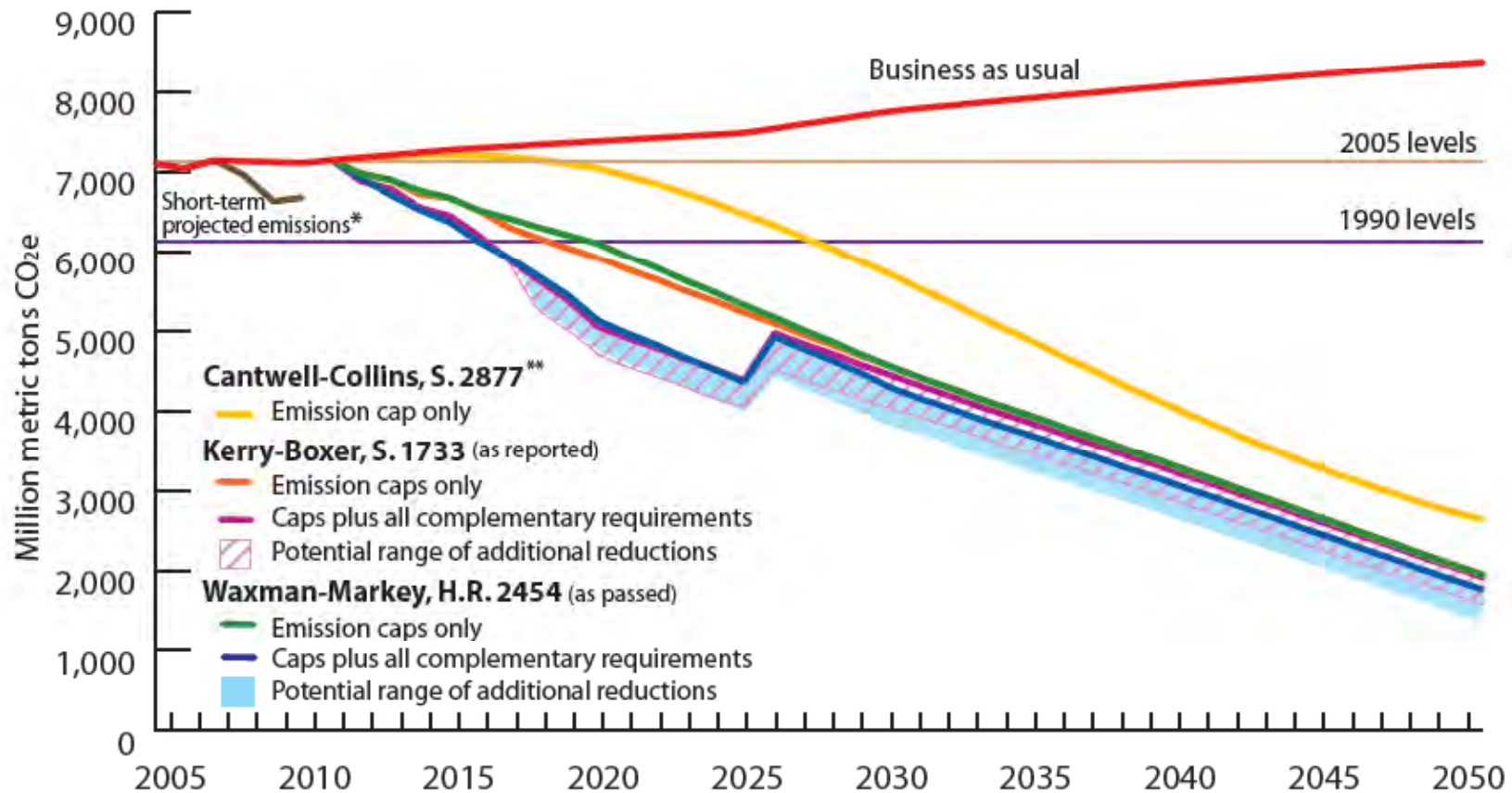
Renewable Portfolio Standard	20% by 2020 (efficiency can meet 5%)
Energy efficiency measures	Appliance standards, building codes
GHG emission standards	New coal plants, uncapped sources (e.g. landfills, coal mines)
R&D	Renewables, basic research, \$1 billion per year for clean coal
GHG reduction targets (cap)	17% below 2005 by 2020; 83% below by 2050
Trading System	Auctioning and trading of allowances;
Cost Containment	Strategic Allowance Reserve, \$10 price floor, Unlimited banking and conditional borrowing
Offsets	Up to 2 billion tons per year from international and domestic sources
Preemption	Temporary State cap and trade preemption, removes most EPA authority to regulate stationary sources
International components	Significant support for adaptation, technology transfer and forest protection

Allowance value is targeted at public programs, consumer assistance and "transition assistance" for industry



Cap-and-Trade Proposals in 111th Congress

Net Emission Reductions Under Cap-and-Trade Proposals in the 111th Congress, 2005-2050
December 17, 2009



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For a full discussion of underlying methodology, assumptions and references, please see <http://www.wri.org/usclimatetargets>.

** "Business as usual" emission projections are from EPA's reference case for its analysis of the Waxman-Markey bill. "Short-term projected emissions" represent EIA's most recent estimates of emissions for 2008-2010.

** Cantwell-Collins sets economy-wide reduction targets beginning with a 20 percent reduction from 2005 levels by 2020. However, additional action by Congress would be required before these targets could be met. Reduction estimates do not include emissions above the cap that could occur due to the safety-valve.

CAA ruling introduces several potential regulatory options

April 2007: Supreme Court decision on CAA

December 2009: EPA finalizes endangerment finding

March 2010: Expected GHG auto standards



*Triggers regulatory considerations for other CAA provisions**

Other mobile sources

NSR

NSPS

NAAQS

PSD*

* In Sept 2009, EPA issued "tailoring rule" to set basic threshold for PSD regs

Congressional Efforts to Stop EPA

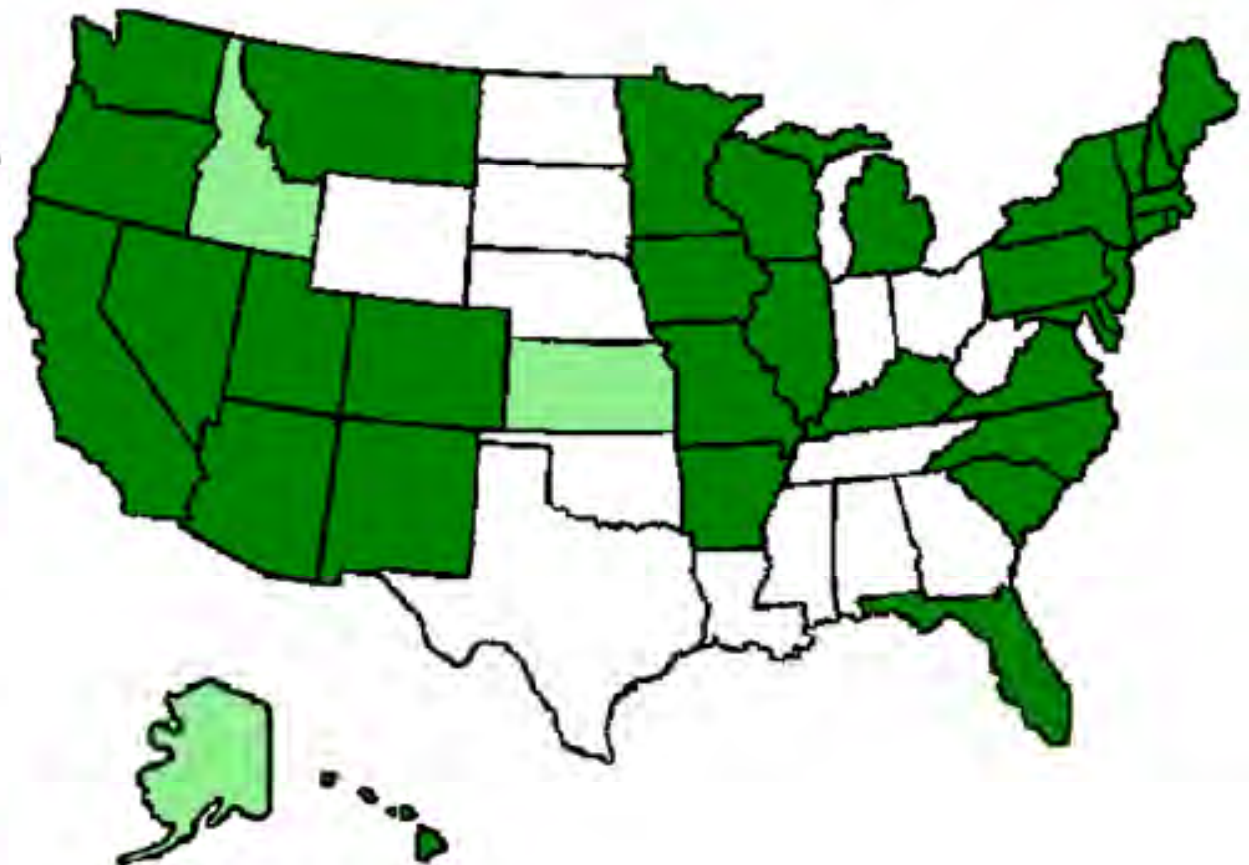
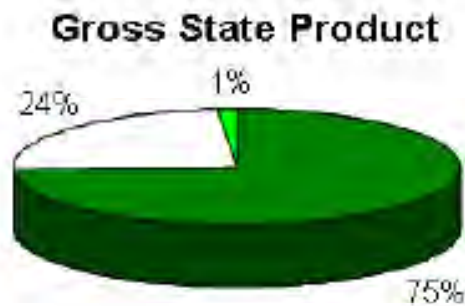
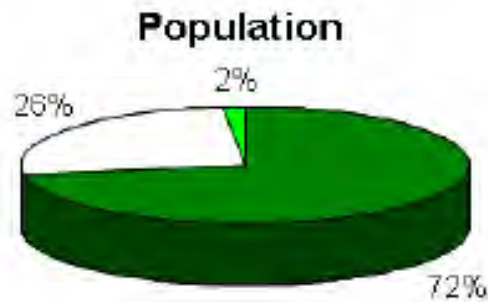
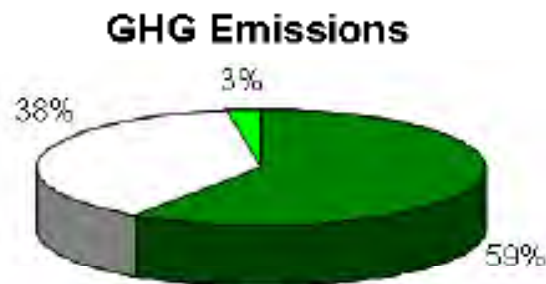
- Murkowski (AK) – Disapproval Resolution
 - 35 Bi-Partisan Cosponsors (including Graham, McCain, Lugar, Collins, Landrieu & Lincoln), Jan., 21.
- Pomeroy (D-ND), Moran (R-KS), Blackburn (R-TN)
 - Similar parallel efforts in U.S. House
- President would mostly likely veto it



*Note: W-M would have some similar effects, but would also:

- Set national cap with emissions standards for new coal plants, and
- preserve authority over facilities not under the cap

States with Climate Action Plans



<http://ceit.wri.org>
<http://www.pewclimate.org/states-regions>



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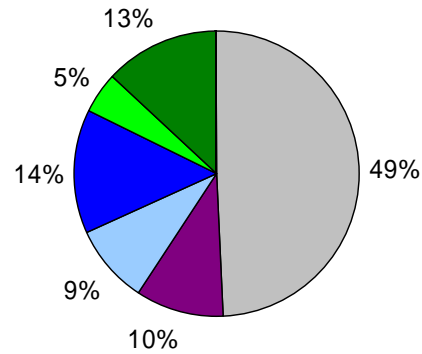


PEW CENTER
Global CLIMATE CHANGE

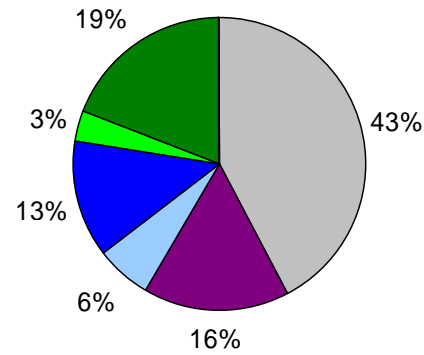


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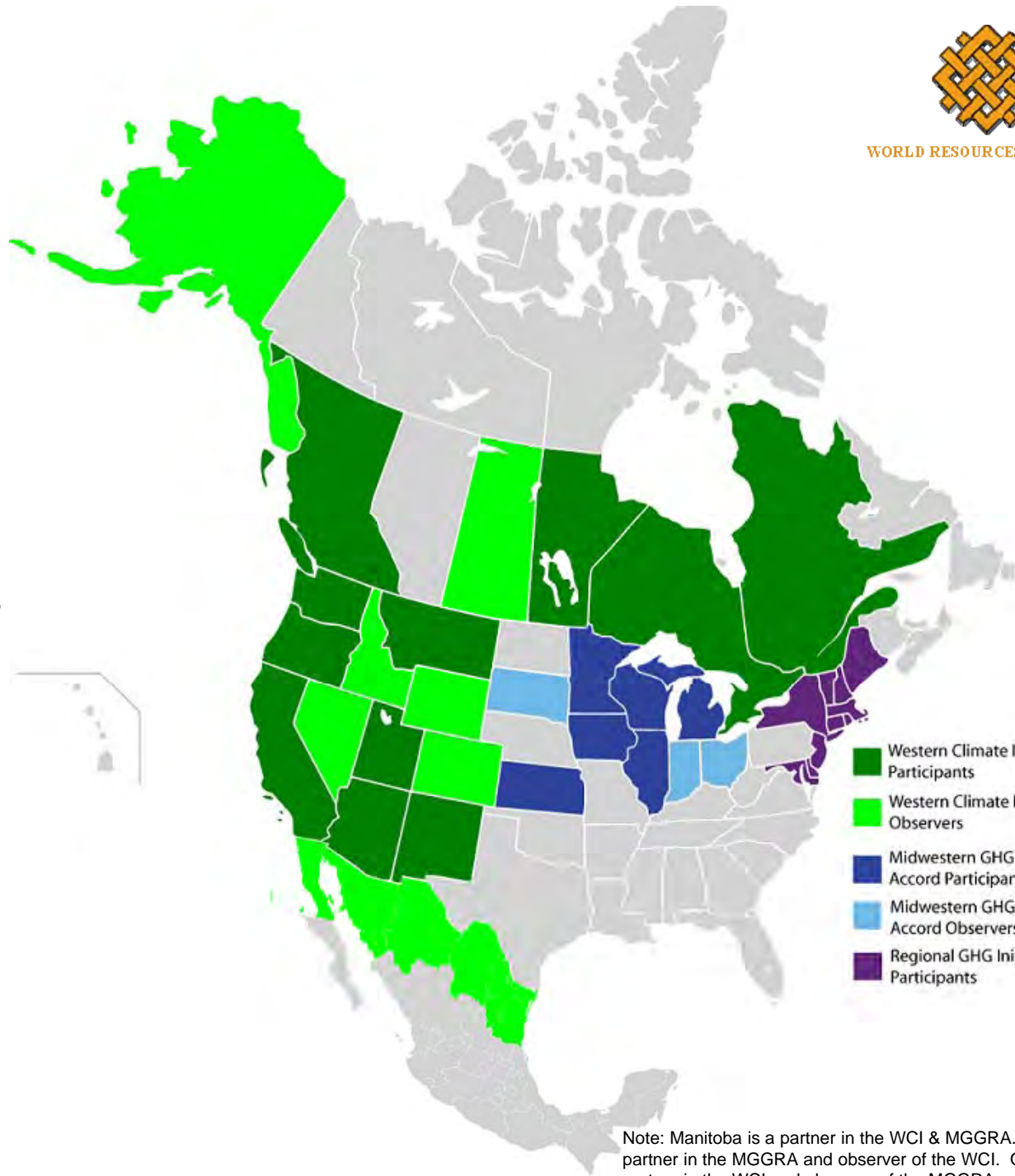
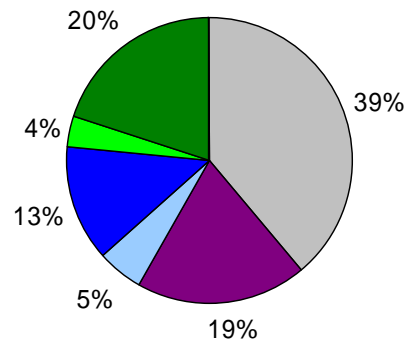
US Emissions 2005



US Population 2007



US GDP 2007



Note: Manitoba is a partner in the WCI & MGGRA. Kansas is a partner in the MGGRA and observer of the WCI. Ontario is a partner in the WCI and observer of the MGGRA.

Senate Prospects in 2010

- Kerry-Boxer was leading bill in the Senate; passed Committee in Nov., 2009, w/ no Republicans present; process stalled
- New opportunities:
 - Presidential leadership
 - State of the Union Address called for legislation
 - 2011 Budget: Int'l climate finance; Cap and Trade
 - Business engagement
 - USCAP
 - “We Can Lead” Business Coalition
 - WSJ and Politico ads
 - 80 Signatories - w/Labor, Security, Faith-based communities



How Do we get there?



“Tri-partisan” pathway:

- Kerry-Lieberman-Graham tasked by leadership with compromise track to 60-votes
- Legislative language in the works
- Offered “Framework” to:
 - *Achieve 17% target by 2020*
 - Encourage Nuclear...

Other Possible tracks:

- Lugar (IN) & Voinovich (OH) – Manufacturing state Republicans working on a utility-only bill
- Cantwell (WA) & Collins (ME) – Bipartisan cap-and-dividend
- Dorgan and others pushing energy-only bill

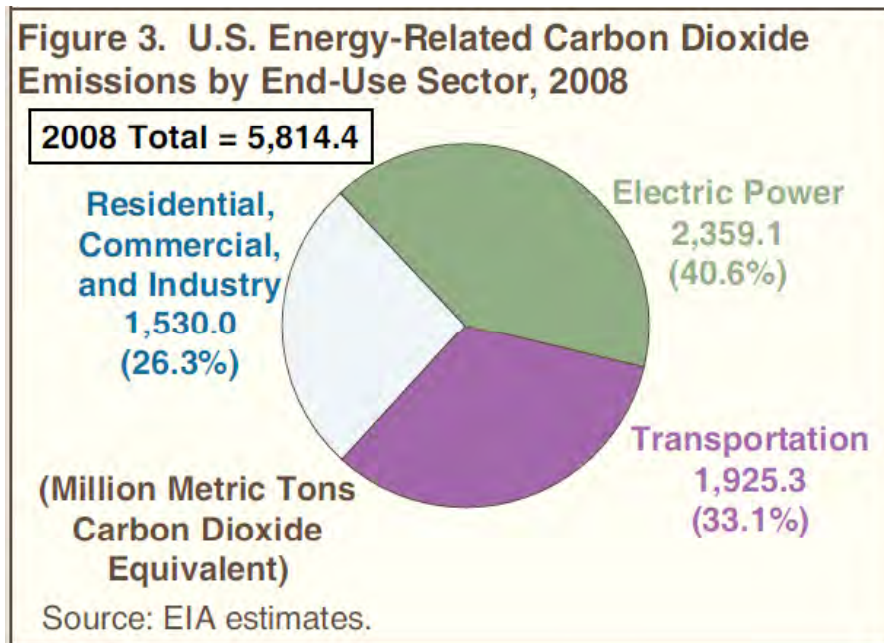
Conclusions

- Passing a bill through the US House last Summer was a major milestone
- EPA regulations under the CAA are being developed; Hill debate is overheated
- States and Regions are moving forward
- Senate action this spring is looking likely

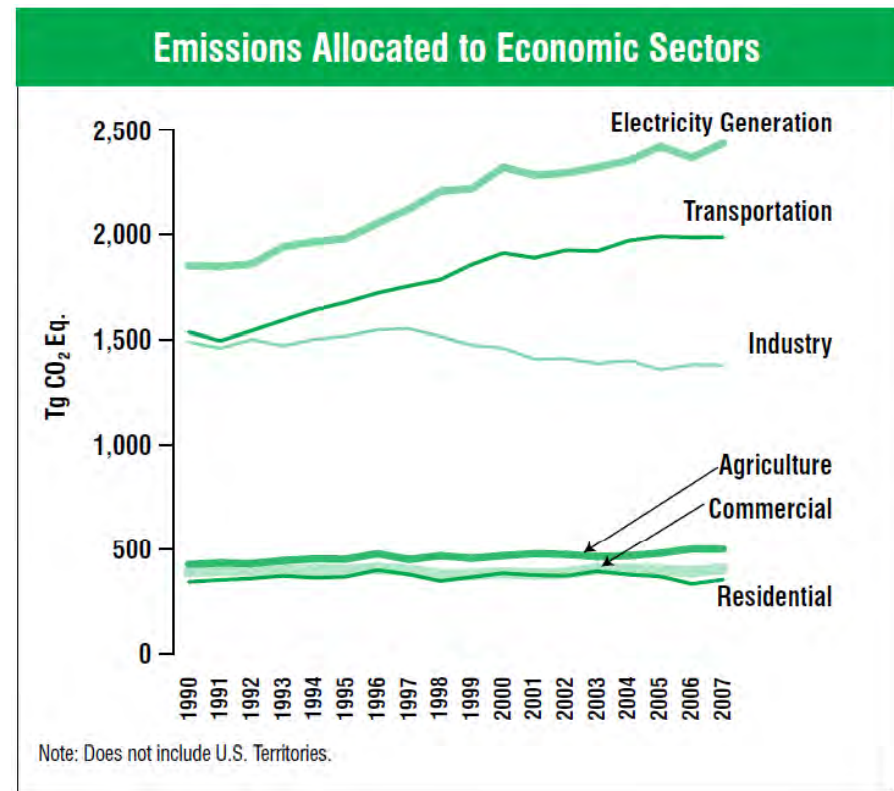
- Through several pathways, US regulations of GHG emissions is already underway... the only question is what it will look like, when

A picture of past US GHG emissions

EIA snapshot, by sector 2008



EPA inventory, by sector 1990 – 2007



Thank you!

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