

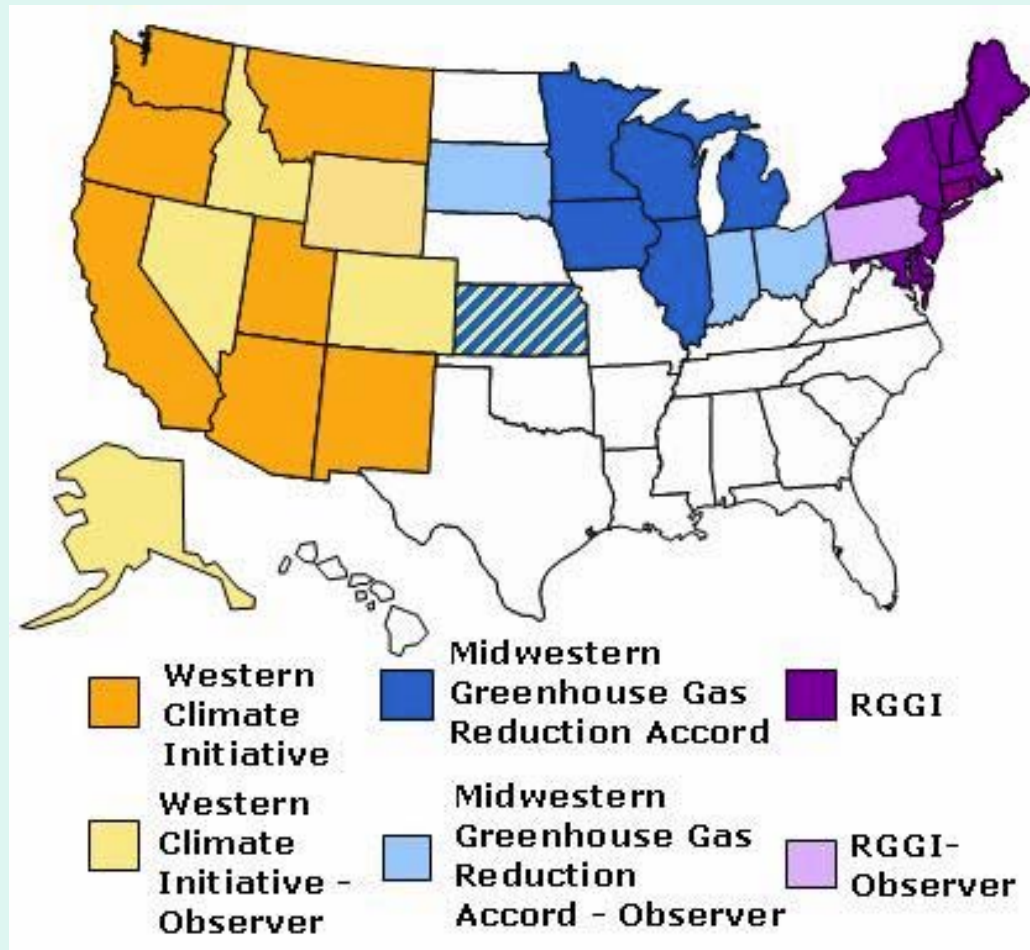
Global Perspectives on Climate Change
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Today's focus

- US climate focus shifts from regional to national carbon strategies
- Waxman-Markey bill moves to Senate
- Copenhagen issues and outlook

Regional climate initiatives are yielding to federal programs



Source: Pew Center (2008).

Regional climate programs differ in scope, stringency and implementation

- Targets and timetables for emission reductions and allowance allocation methods differ among regions.
- Northeast RGGI freezes electric utility emissions at current levels, then a 10% reduction by 2014-2018. Covers only electric utilities, 1/3 of regional emissions.
- Western Climate Initiative calls for 15% reduction of total greenhouse gases from 2005 levels by 2020.
- Midwest Governors Accord is aiming at 17% below 2005 emissions by 2020 in six states, using an untested first jurisdictional deliverer (FJD) point of regulation.

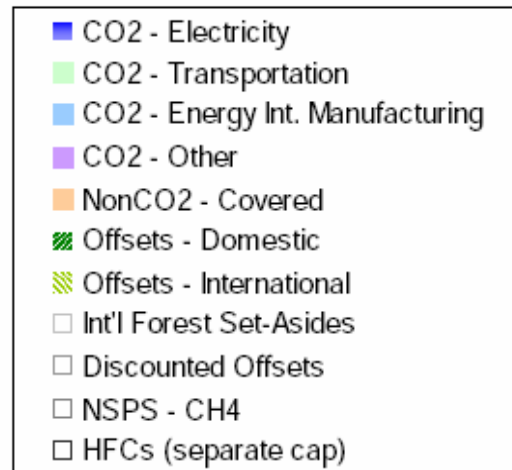
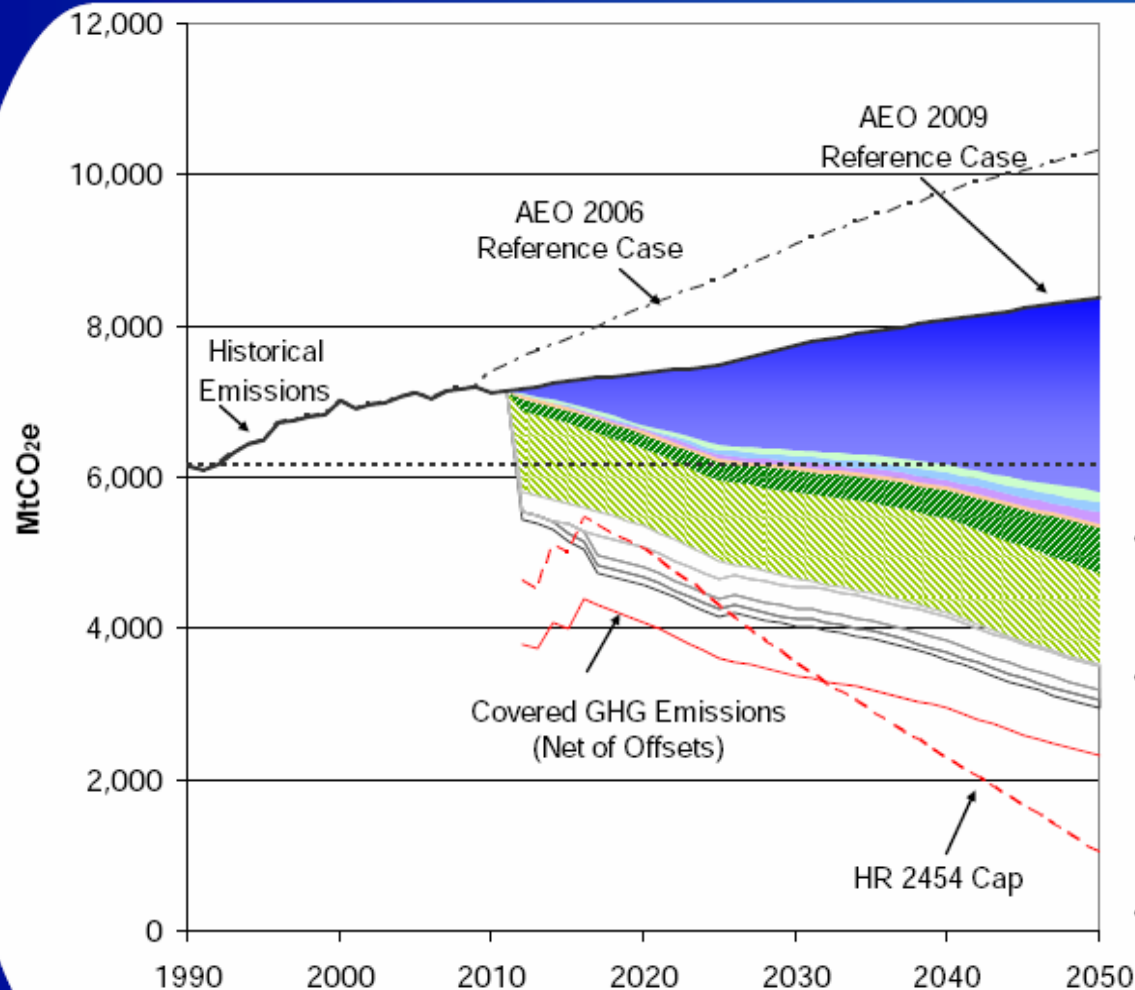
Key concerns

- Duplicative state and federal cap & trade programs increase the costs of greenhouse gas emission reductions with little or no environmental benefit (federal allowances are traded to other states.)
- Requiring two permits to cover the same ton of CO₂ emissions, or imposing targets and timetables more stringent than those adopted in national legislation, would undermine the purposes of a national cap & trade program, raising costs for non-participants.
- Widespread agreement on the need for a “single currency” for national emissions trading.

Waxman-Markey HR 2454

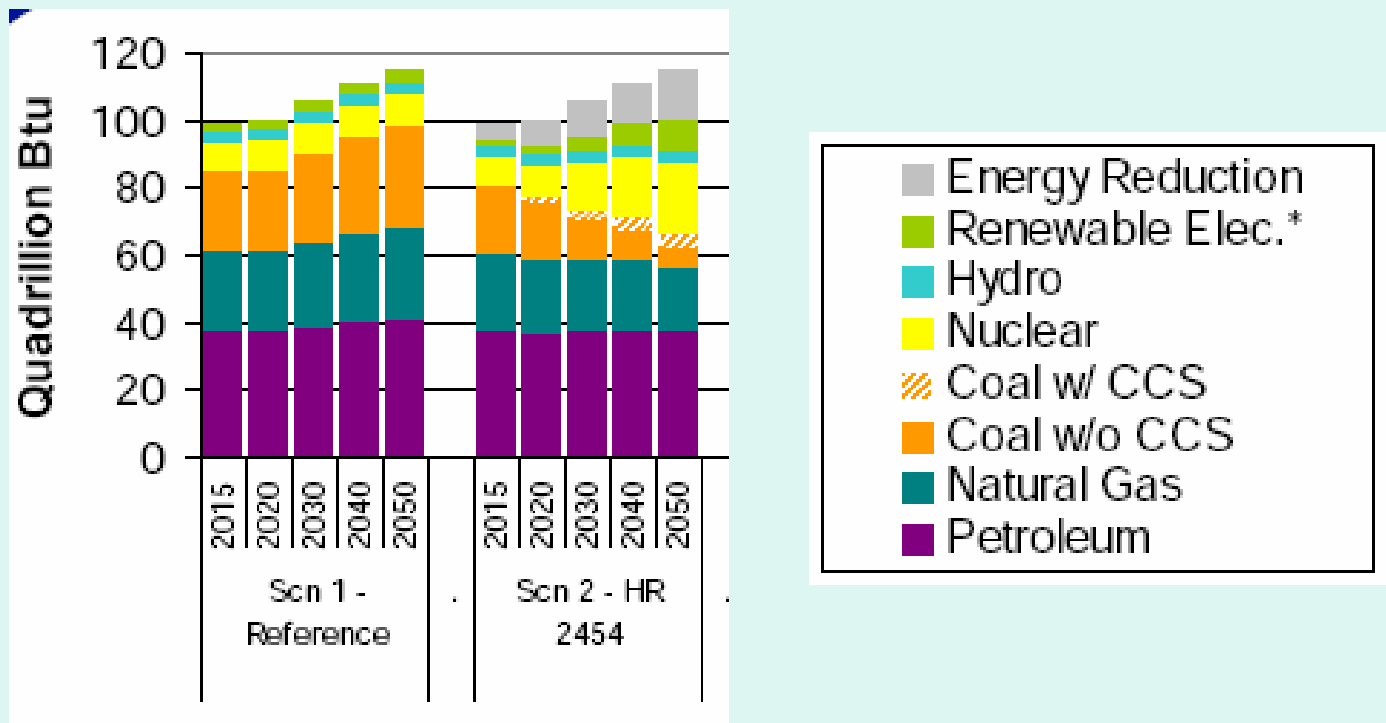
- Comprehensive climate, renewables, and energy efficiency bill approved 219-212 by House of Representatives on June 26.
- 44 Democrats voted “no”.
- Faces uncertain road ahead in Senate to obtain 60 votes.
- Senate action expected by December, in advance of Copenhagen negotiations.

HR 2454 would dramatically reduce U.S. greenhouse gas emissions



- The updated reference case for this analysis is based on AEO 2009, and the old reference case from EPA's S. 2191 analysis was based on AEO 2006.
- Cumulative 2012-2050 GHG emissions are 14% (51 bmt) lower in the AEO 09 baseline compared to the AEO 06 baseline in ADAGE due to the inclusion of EISA, lower initial (2010) GDP (\$13.2 trillion in AEO 09 vs \$14.6 trillion in AEO 06), and a lower projected GDP growth rate (2.5% in AEO 09 vs 3.0% in AEO 06).
- International forest set-asides, discounted offsets, NSPS provisions for landfill and coal mine methane, and the HFC cap all provide additional abatement that does not help to meet the main cap.

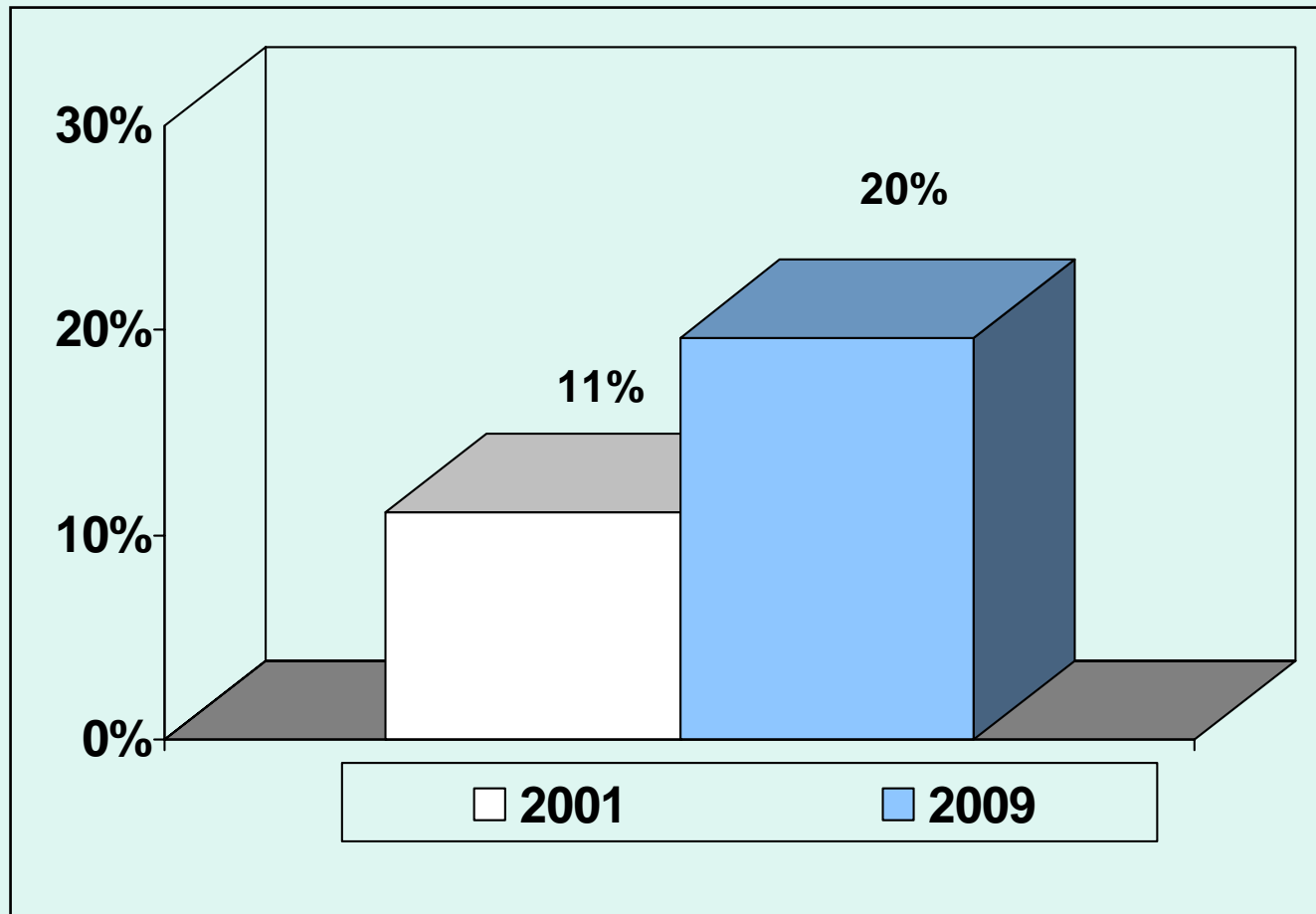
HR 2454 would transform U.S. energy use



Source: US EPA Analysis of HR 2454 (June 23, 2009).

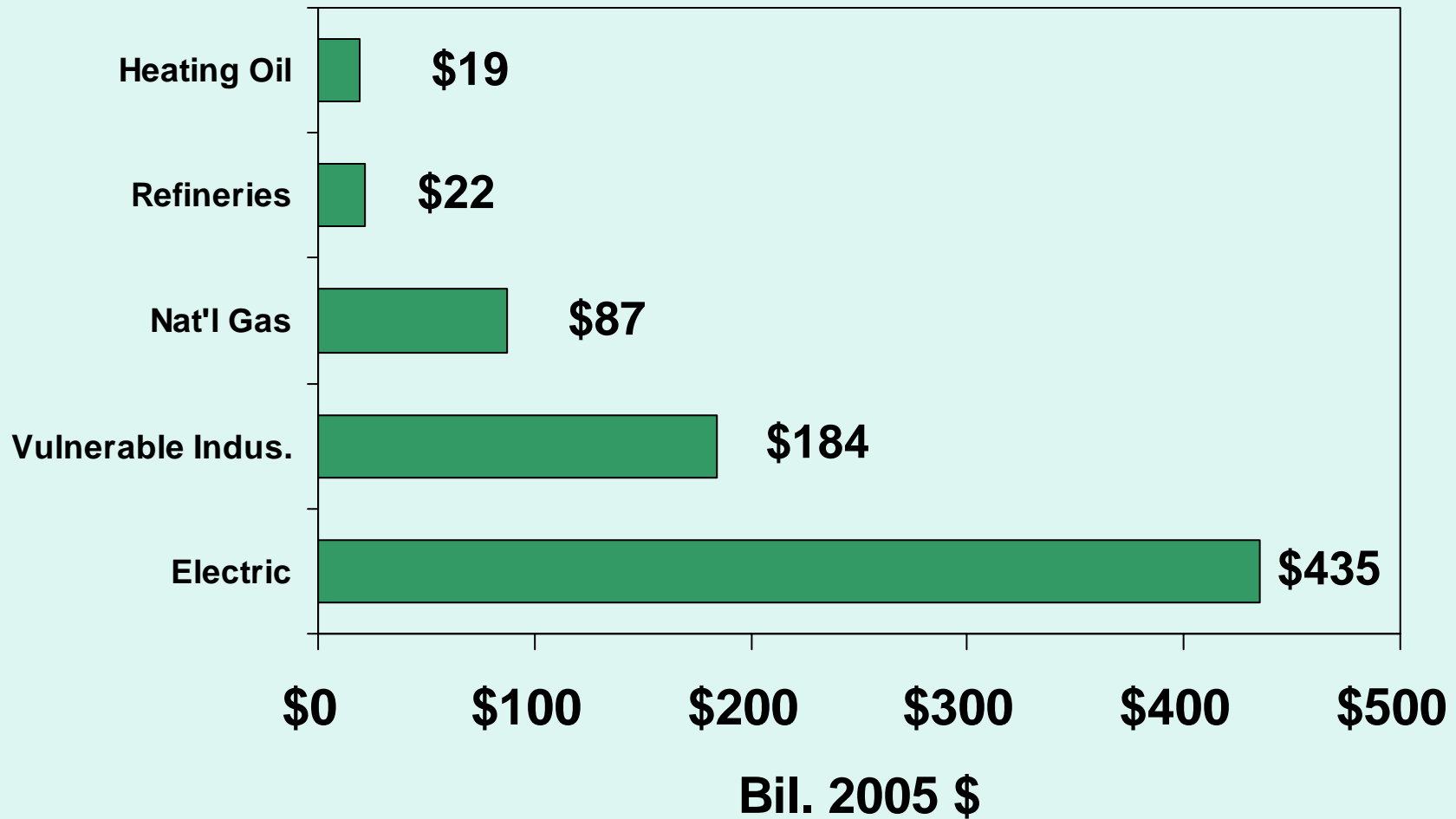
Why the costs of energy
transformation (and timing)
matter

Energy costs are now consuming 20% of the after-tax incomes of the 50% of families with pretax income less than \$50,000 annually

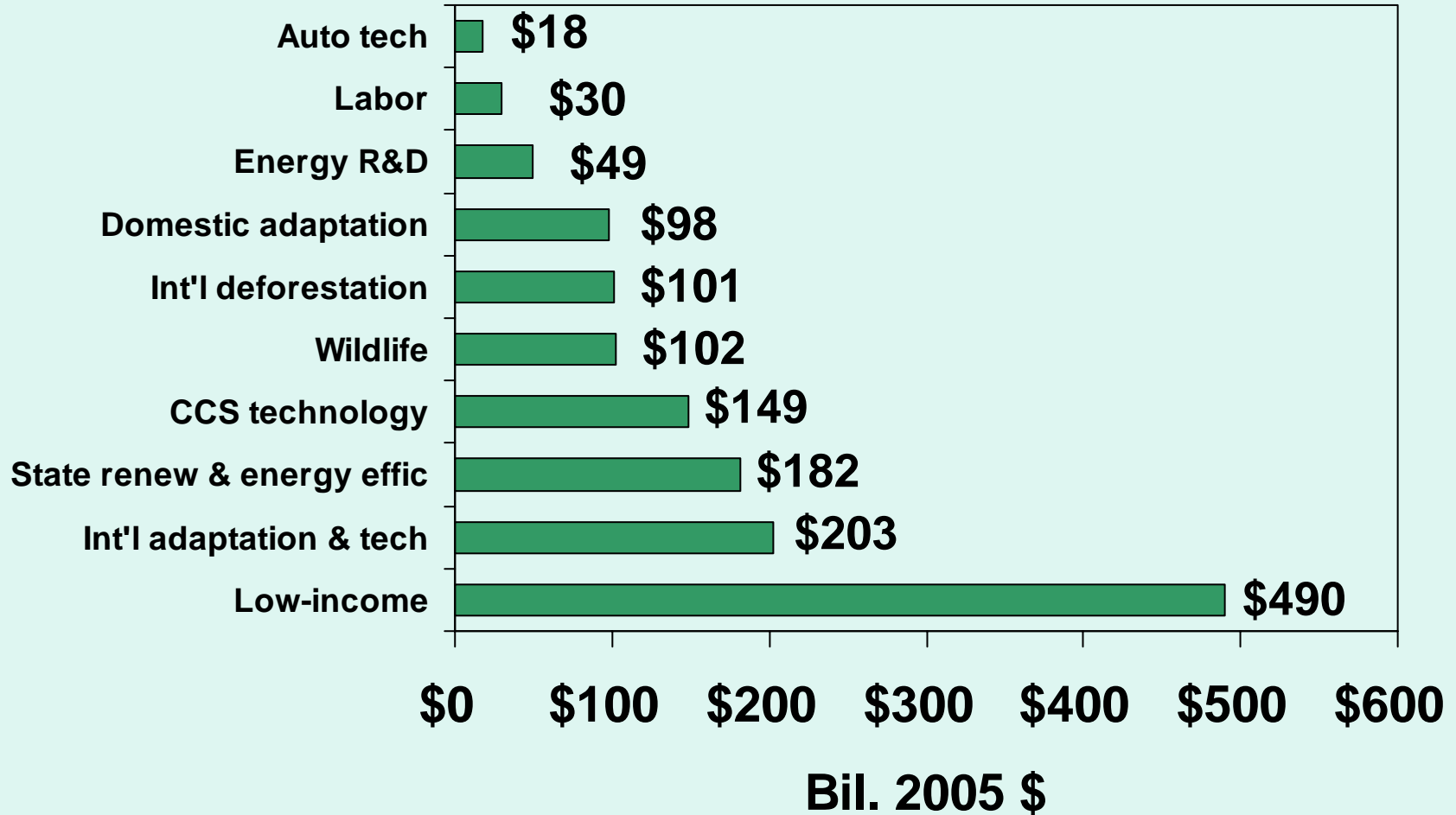


Source: U.S. Department of Energy, U.S. Bureau of the Census

“Emitting-source” allocations in Waxman-Markey (\$0.7 trillion total 2012-2050)



“Non-source” and international allocations in HR 2454
(\$1.3 trillion total 2012-2050)



A few key Senate issues

- Stringency and impacts of 2020 target
- Availability of CCS control technology by 2020
- Adequacy of CCS incentives (8% Bingaman Specter vs. 4.6% HR 2454)
- Extension of electric allocations beyond 2025
- Sales/emissions allocation formula for electric allocations and regional impacts of alternatives
- International border adjustments

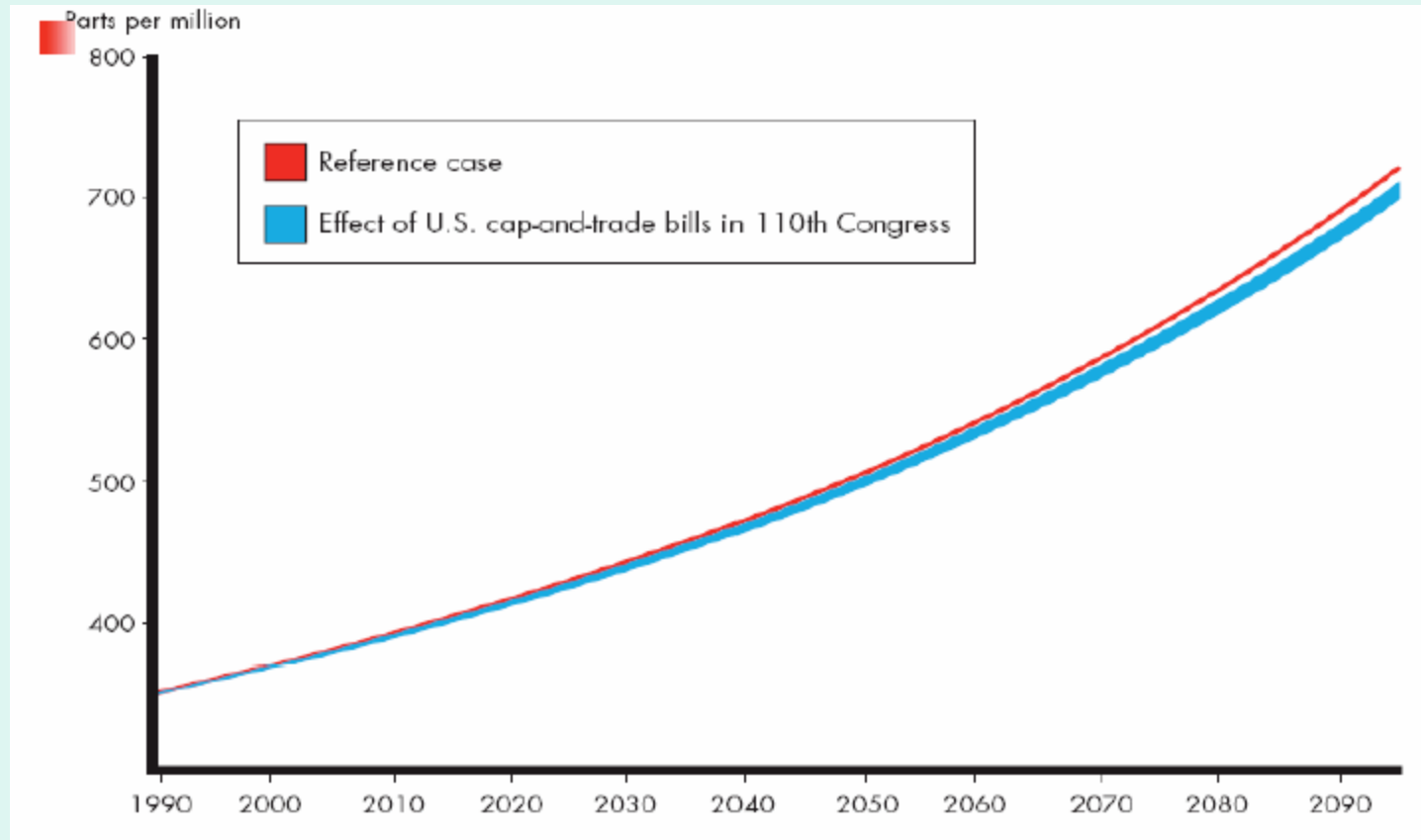
Outlook for Copenhagen!



Bones of contention ...

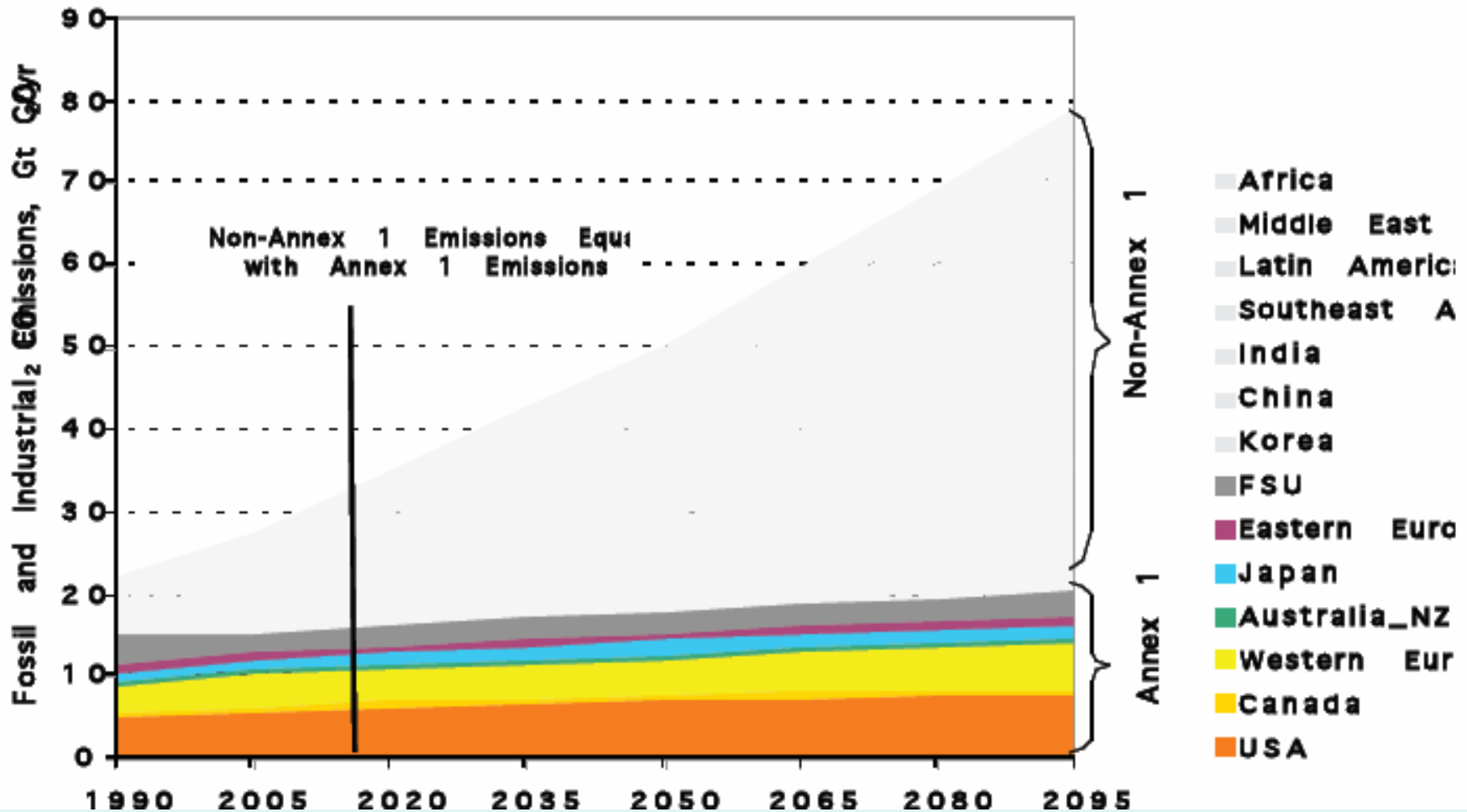
- US at 14% or 17% (?) below 2005 by 2020
- EU at 20% below 1990, 30% if US joins
- Japan proposes 15% below 2005 by 2020
- Developing countries seek benefits from technology transfer, forest credits and financial mechanisms, without quantified targets or timetables

US actions will have little effect on future GHG concentrations



Source: Economic Report of the President (2009).

GHG emissions from developing nations will rapidly outpace industrial country emissions



Source: Batelle Memorial Institute (2007).

Critical issues at Copenhagen

- Resolving differences among industrial nations commitments
- Addressing international forest conservation (REDD) to provide significant flow of offsets to Annex I parties and financial resources to developing nations
- Other mechanisms for transfer of technology and financial resources to developing nations
- Expanding participation of “advanced” developing nations beyond limited approach to the Bali Action Plan taken by G-77 & China in Bonn in June 2009

G-77 & China Bonn Position

- “Measurable, reportable and verifiable” actions by developing countries are *only those actions made possible by the transfer of technology and financial resources from industrial nations.*
- Resistance to proposals to reclassify parties based on relative stage of economic development (e.g., G-20 including China, India, Brazil, Saudi Arabia).
- One-sided agreement in Copenhagen risks repeat of Kyoto.

Questions?

