
Climate Change & Energy Security Prospects in 2009

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Overview

- Significant Democratic gains
 - House of Representatives
 - 256 Democrats; 178 Republicans - +20 Democrats
 - United States Senate
 - 58 Democrats; 41 Republicans - +7 Democrats (MN still to come)
- Filibuster-proof on climate change and energy? Not quite
 - Moderate/conservative Democrats: Byrd, Landrieu, Lincoln, Pryor
 - Moderate/liberal Republicans: Collins, Snowe
- House Energy and Commerce shake-up
 - Waxman for Dingell
 - Markey for Boucher
- Obama Administration – Team of Rivals?
- Energy/Climate Legislation Prospects – it's the economy stupid
 - Stimulus Package
 - New Energy Bill: Energy security - Third time the charm
 - Climate change: Legislating versus regulating

Energy Independence and Security Act of 2007

Issue	Senate	House	Final
Strengthened fuel economy standards	✓	X	✓
Renewable fuels mandates	✓	X	✓
Consumer/manufacturer vehicle efficiency incentives	✓	✓	✓ (also in bail-out)
Appliance & equipment energy efficiency standards	✓	✓	✓
Carbon capture and storage deployment programs	✓	✓	✓
Renewable energy production tax credits	X	✓	X/✓ (bail-out)
Federal RPS	X	✓	X

2009 Stimulus Package

- Total bill could be close to \$800 billion
- How big will the energy titles be?
 - \$10b - \$100b?
- Publically stated priorities include: energy efficiency, renewable and low-carbon energy, transmission and green jobs
- How much can really be accomplished in stimulus pulse?

Energy security policy in the 111th Congress – issues in play

- Transmission
 - Federal role, cost sharing
- RES
- Building/appliance efficiency
- Renewable tax credits
- Technology deployment/project finance
 - Clean Energy Bank?
- Fuel economy/California waiver
- OCS production
- Changes to the VEETC?
- RFS/LCFS?

2007-8 Federal climate change action: laying the foundation

- US Supreme Court affirms EPA greenhouse gas regulatory authority under the Clean Air Act
 - EPA denies California Clean Air Act waiver request
- House and Senate Committees produce white papers, begin stakeholder processes
- Senate Environment and Public Works Committee reports out S. 2191 on December 5th
 - 9 ½ hour mark up
 - 1 Republican vote
 - 46 amendments offered
 - 13 passed, including low carbon fuel standard
 - 33 withdrawn or defeated
 - 20 on “party line” vote
- Cloture fails on Senate floor
- Dingell-Boucher discussion draft released

Climate change legislation – issues in play

- Tax versus cap & trade
- Cost containment
- Market oversight
- China/India and American competitiveness
- Federal-state harmonization
- Scope/Point of regulation
- Allowances – auction or allocate?
 - \$\$ - Technology (etc.) or refund/return?

Cost containment

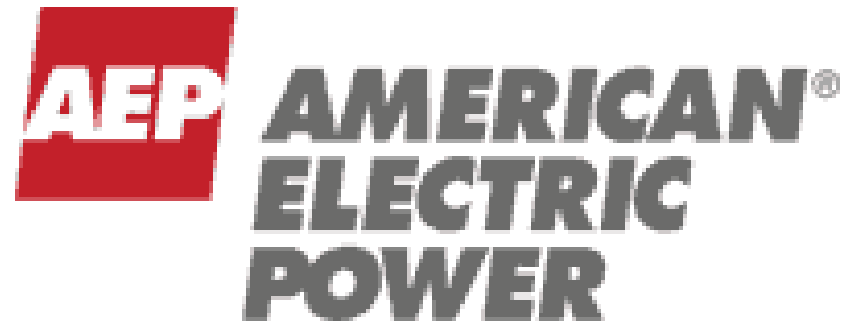
- Lieberman-Warner:
 - Carbon Efficiency Board
 - borrowing at source and system levels
 - Domestic offsets (15%)
 - International credits (15%)
- Bingaman-Specter
 - Technology Accelerator Payment - \$12 mtcoe
- 3rd way?

Market Oversight

- Cap and trade has become policy of choice
- However, public confidence in markets in general is at all time low
- Any carbon market will need to incorporate mechanisms to:
 - protect against manipulation and excessive volatility; and
 - ensure transparency

International Competitiveness

- AEP/IBEW proposal in both major Senate bills
 - If major trade partners don't adopt “comparable” provisions by 2020, importers must buy special allowances to cover carbon content
 - Issues:
 - WTO compliance?
 - Comparability?



Allowances = \$\$

- Trading and/or auctioning permits worth \$40-100 billion annually
 - In contrast, the SO₂ program distributed \$1-2 billion per year of allowances
- Allocation
 - One of the most difficult steps and
 - key to political agreement
- Revenue for:
 - Technology deployment
 - Adaptation activities
 - Low income assistance
 - State & local programs
 - Fish and wildlife, and/or
 - Revenue Recycling
- New institutions needed?

Key climate variables

- State of the economy!!!
- Organized labor
- Influence of state programs
- Key Republican Senators and Rust Belt Democrats
- Waxman/Markey versus Blue Dogs
- Impending economic analysis of bills
- More debate over cost containment
- Electric power sector regional issues on allocation
- Performance of EU ETS and RGGI in 2008-2009
- EPA regulatory activity