

What is cap-and-trade?

A summary of proposed climate change legislation

By Neal Lebo

The proposed American Clean Energy and Security Act of 2009, H.R. 2454, was introduced by U.S. Reps. Henry Waxman, D-CA, and Edward Markey, D-MA, and was passed in the U.S. House of Representatives on June 26, 2009.

House Resolution 2454 is a considerable piece of legislation organized under five titles, each containing numerous and specific provisions related to clean energy, energy efficiency, reducing global warming pollution, transitioning to a clean energy economy, and agriculture and forestry offsets. Below is a brief description of just a few of the key elements found under each title.

Title I—Clean Energy

- A federal standard would be established to require electricity suppliers to provide increasing portions of their electric power sales from approved renewable energy and high efficiency sources, and to set requirements for the federal government to purchase renewable electricity.
- U.S. EPA would have to develop a national strategy and regulations for carbon dioxide (CO₂) capture from emission sources and for safely storing CO₂ underground.
- Funding would be provided for incentives to promote advanced clean energy technologies, such as the manufacture of plug-in vehicles and establishing smart grid power systems and products.

Title II—Energy Efficiency

- Federal building energy codes that can be adopted by local governments would be regularly updated to increase energy savings goals.
- Industrial plant energy efficiency certification standards would be established.
- Programs would be developed and funded to support efficiency retrofits of existing residential and commercial buildings.
- Lighting and appliance energy efficiency standards would be expanded.

- U.S. EPA would set Greenhouse Gas (GHG) emission standards for certain motor vehicles and engines.
- A national product carbon labeling and disclosure program would be developed.
- New regulations would be issued to encourage energy efficiency in public housing programs.

Title III—Reducing Global Warming Pollution

- U.S. EPA would establish a federal GHG emission registry, including data on GHG emissions, production and importation of materials that produce GHG emissions, and electricity supplied to carbon-intensive industries.
- Economy-wide emission reduction goals would be set with targeted increment reductions through the year 2050.
- Generally, the economy-wide emission reductions would be met through a market-based GHG emissions cap-and-trade program established for entities that produce 25,000 metric tons or more of GHG annually. Such a program would set an absolute limit (“cap”) on the emissions allowed from sources and then provide for these allowances to be bought or sold (“trade”). Initially, most of the allowances are given to emitters, then as the years progress, more and more of the allowances would be auctioned to both emitters and non-emitters at market price. Emission reduction is achieved by reducing the “cap” over time and giving credit for verified GHG emission reduction activities (“offsets”).
- U.S. EPA would also set emission standards for new sources of GHG emissions.



Title IV—Transitioning to a Clean Energy Economy

- Additional GHG emissions allowances would be provided for certain industries that are negatively impacted by the costs of required emission reductions.
- The President would be required to seek agreements with other nations committing them to reduce GHG emissions in equitable proportions.
- Funding would be provided to award grants for education programs focused on new jobs in energy efficiency and climate change.
- Programs would be established to reimburse low-income households for loss of purchasing power resulting from enactment of H.R. 2454 and income tax credits would be expanded for other individuals.

Title V—Agriculture and Forestry Related Offsets

Added as part of a “Manager’s Amendment,” Title V mostly concerns establishing a separate program of GHG offsets for the agriculture and forestry sectors. This program would be under the direction of the U.S. Department of Agriculture instead of U.S. EPA. ◆

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The cost of cap-and-trade

CBSNews.com correspondent Declan McCullough recently reported that a cap-and-trade law would cost American taxpayers up to \$200 billion a year, the equivalent of hiking the Personal Income Tax by about 15 percent.

According to a U.S. Department of Treasury analysis, the total in new taxes would be between \$100 billion and \$200 billion a year. The cost to American households could be as high as \$1,761 annually.

Concerns about the uncertainty of the bill's exact cost are justified.

Overall, McCullough points out in his article, yearly costs estimates have ranged anywhere from \$800 per year per family to \$1,500 per year per family to as high as \$3,100 a year.