

In the US:
The New Climate Policy is the Old Climate Policy,
...and it is Real Climate Policy

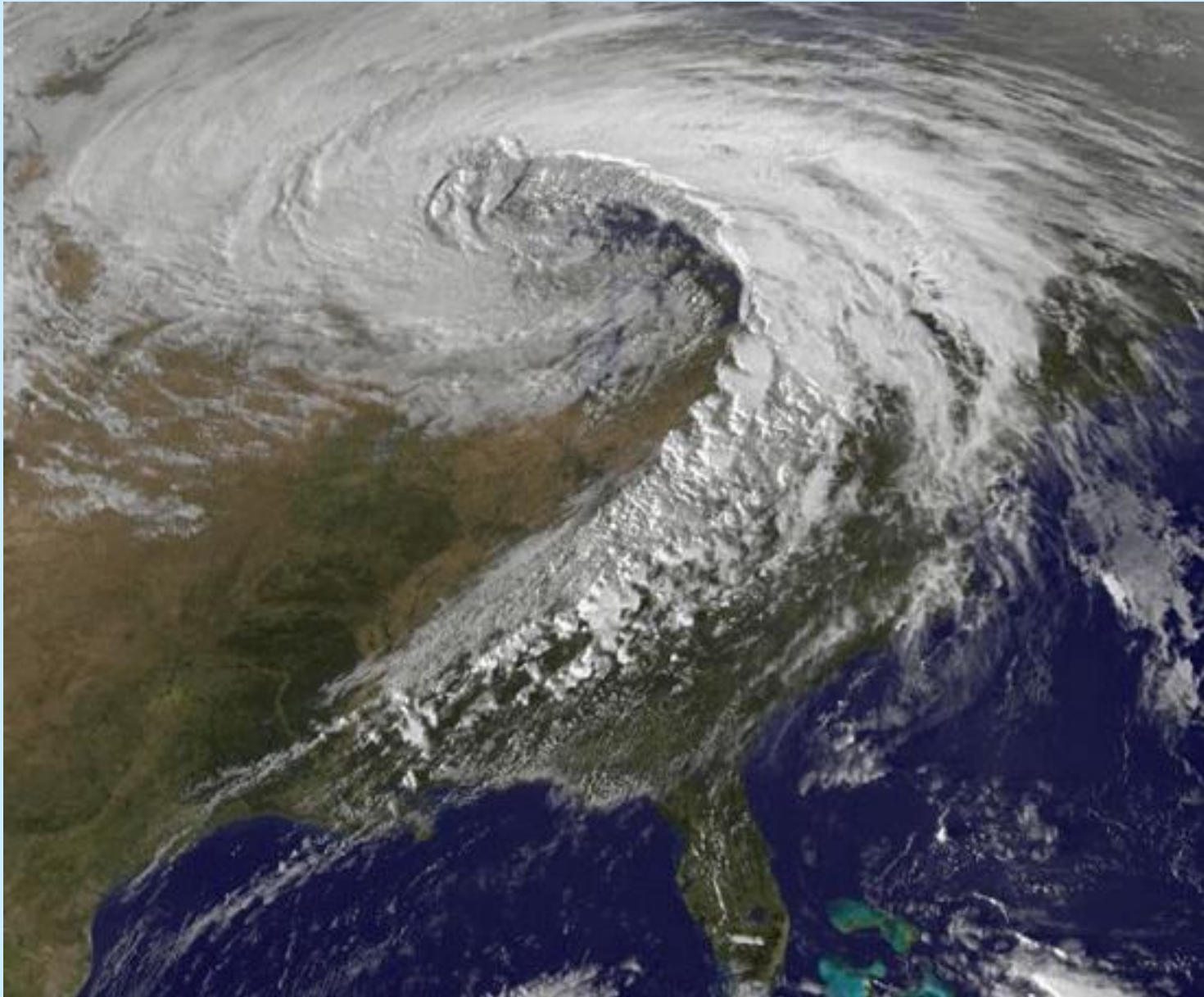
Dallas Burtraw
December 6, 2010
Cancun



First let's always remember why we are here



The “Chiclone” – 26 October, 2010 Superstorm



Three pillars for international agreement: Mitigation -- Financing -- Governance

Mitigation and finance are the keys to governance

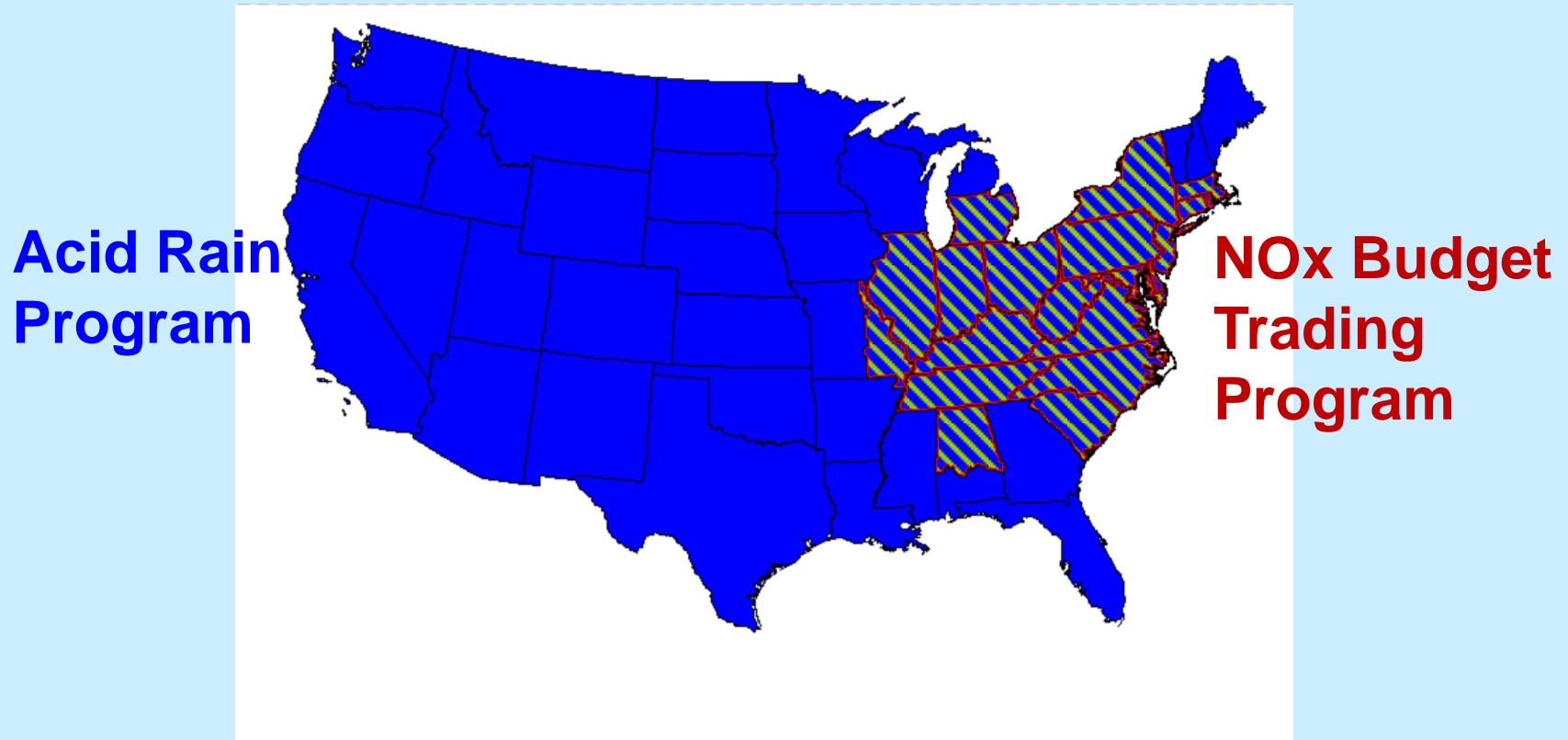
1. Although cap and trade is not adopted, US mitigation is/will be significant.
 - US could achieve Obama’s pledge of reductions “*in the range of 17%*” by 2020.
 2. However, financing obligations are a new concern.
- What is happening in the US on mitigation and its relevance for financing?

Mitigation: Climate and Energy Policy in the US

- *Comprehensive climate policy* delayed at least 2 years
 - President Obama recently said he is newly committed, but the administration would now go for incremental pieces of policy rather than comprehensive policy.
- *Less-than-comprehensive energy policy* is still possible, sponsored by Democrat *and* Republican “western” senators.

What happened to cap and trade policy in the US?

Successful Trading Programs Emerged in the 1990s



Why is CO₂ Different?

Interest #1: Allocation



Public Antagonism

1. Wall Street shouldn't get it
2. Government shouldn't get it
3. Whose money is it anyway?
4. Uncertainty...

...Back to Regulation?

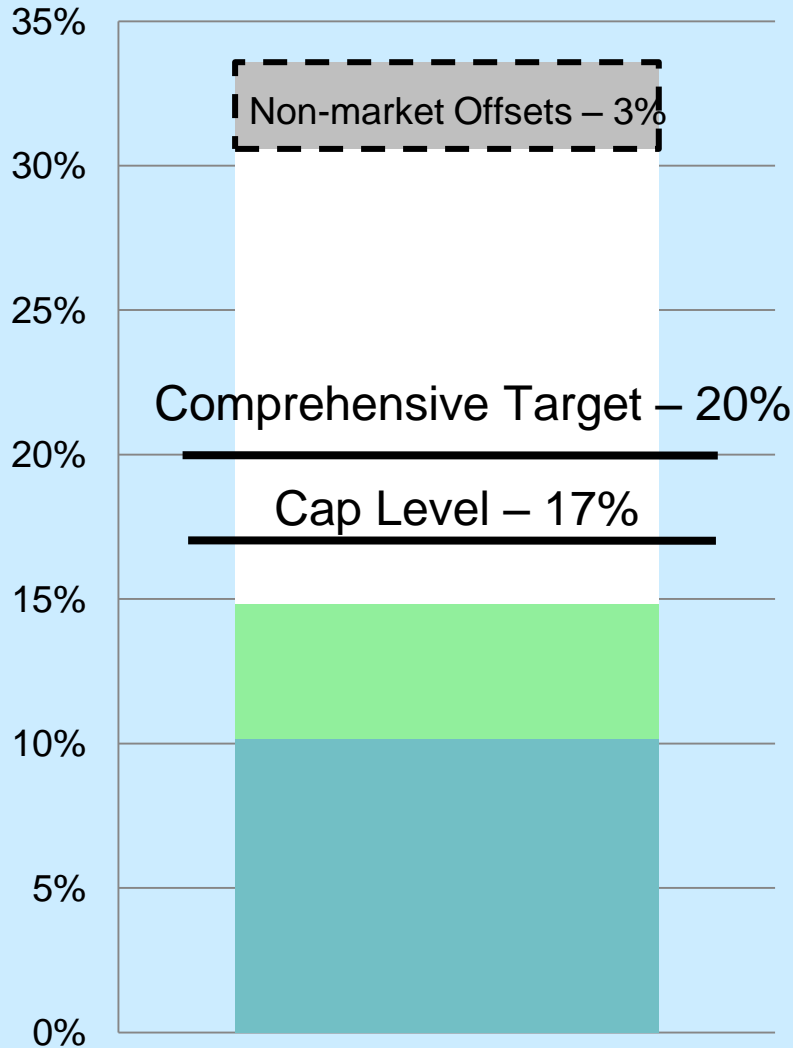
The Clean Air Act passed in 1970....

One could say it always was "Plan A".

Clean Air Act

1. Direct GHG policy
2. Indirect GHG policy

Make it real compared to what?



Emission Reductions in 2020 from 2005 Levels Under **Waxman-Markey**

- Non-Market Offsets
- International Offsets
- Domestic Offsets
- Domestic Reductions

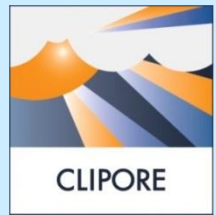
Note: Waxman-Markey EIA modeling results include banking

EIA 2009. Energy Market and Economic Impacts of H.R. 2454 - Basic Case. <<http://www.eia.doe.gov/oiaf/servicerpt/hr2454/excel/hr2454cap.xls>>

1. Direct GHG policy

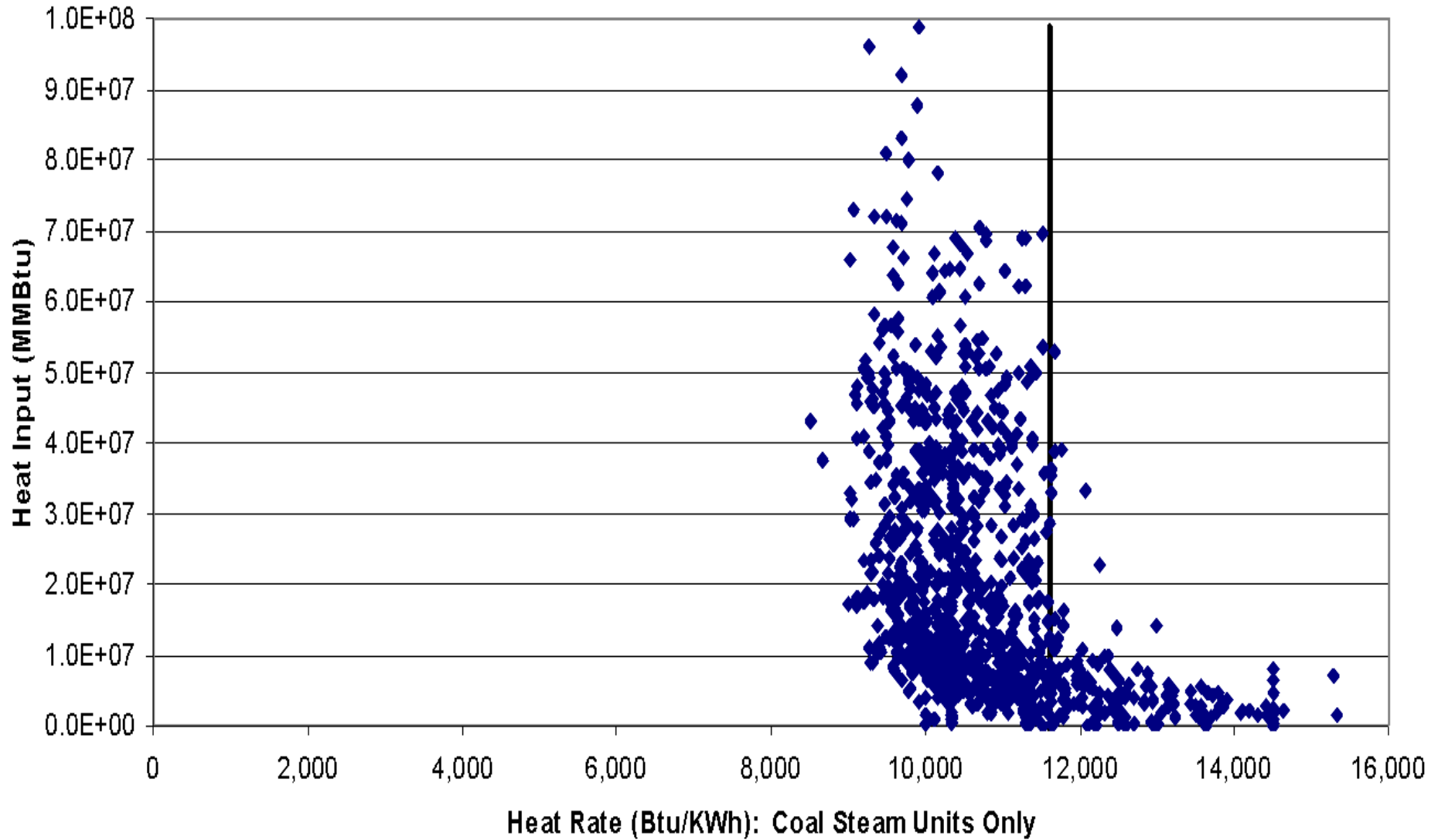
Greenhouse gases regulation after
Massachusetts v. US EPA (2007)...

...history happens while people are busy making other plans...

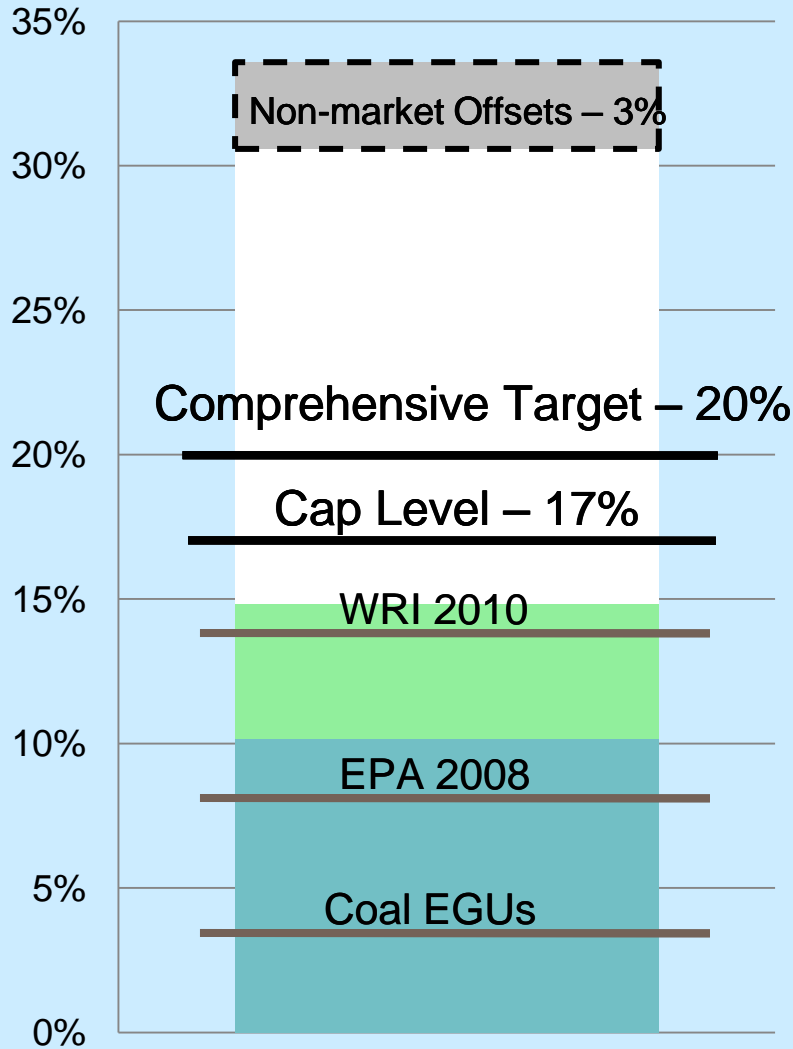


- CAFE (transportation) – January 2011
 - standards for 2012-2016 among the most stringent in the world. (30% reduction)
 - Additional transportation standard spending for 2017 (another 40% reduction by 2023)
- Construction permitting – January 2011
 - GHG standards for new and modified major stationary sources.
- New Source Performance Standards – Incremental
- Ultimately the Act must address all stationary sources.
- In sum, robust regulation should achieve 10-14% reductions by 2020; aggressive regulation could do substantially more.

Example: Coal Steam Units—Operating Efficiency



Make it real compared to what?



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Clean Air Act
GHG regulations

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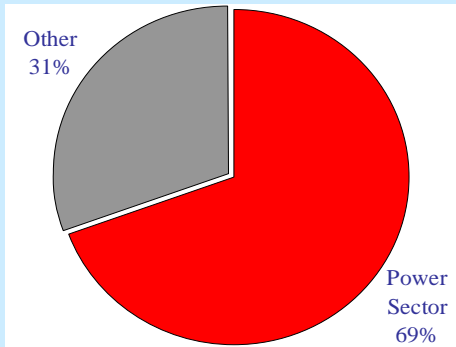
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2. Indirect GHG policy

A series of new rules on conventional pollutants (and water use) affecting stationary sources and power plants in particular

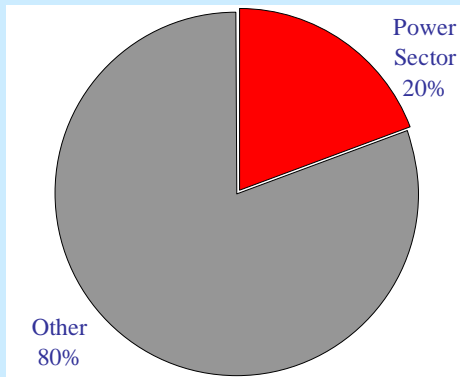
Example: Power Sector Provides a Major Share of US Air Emissions

SO₂ Emissions, 2007



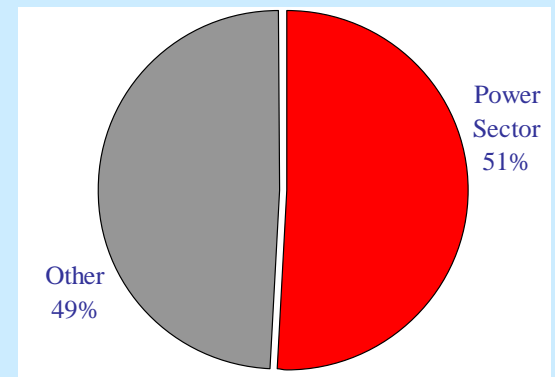
Total: 12.9 Million Tons

NO_x Emissions, 2007



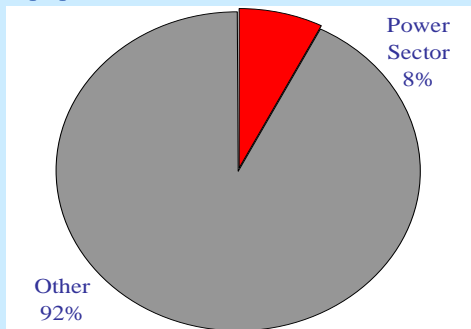
Total: 17.0 Million Tons

Hg Emissions, 2005



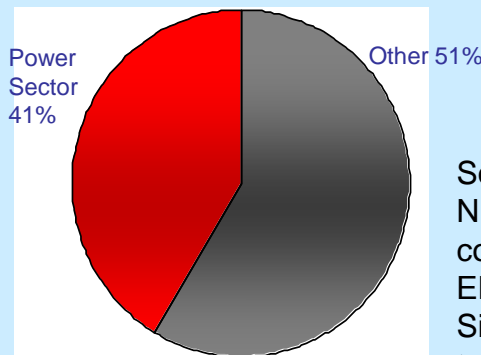
Total: 102.7 Tons

PM₁₀ Emissions, 2007



Total: 2.2 Million Tons

Carbon Dioxide, 2005



Total: 5.8 Billion Tons

Sources: SO₂, NO_x, PM₁₀, and Hg are from NEI trends data; PM₁₀ excludes condensibles and fugitive dust; CO₂ is from EPA's U.S. Greenhouse Gas Emissions and Sinks: 1990-2005 "Other" sources include transportation, other mobile sources, and industrial sources

Upcoming EPA Clean Air Act Power Plant Rules

- Interstate Pollution Transport Rule for existing PM and ozone National Ambient Air Quality Standards (NAAQS)
 - Proposed rule unveiled in June, published August 2, 2010
 - Final rule planned **June 2011**
- Utility MACT (section 112/hazardous air pollutants)
 - Propose March 2011, finalize **November 2011**
- Utility NSPS (section 111/criteria pollutants)
 - Same schedule as MACT – **November 2011**
 - 2006 utility NSPS is under reconsideration and subject to pending litigation
 - Section 111(b) for new and modified/reconstructed sources.
- Reconsidered ozone NAAQS will lead to a new Interstate Pollution Transport Rule
 - Proposed rule in 2011, final rule in **2012**
- ❖ The most important new regulation may be under Clean Water Act governing water intake at power plants.
- Retirement of 5-10% of existing coal capacity, or more?

Mitigation goals are plausible.
Progress on financing is less promising

- Achieving financing goals even with an active emissions trading market and use of offsets would be difficult.
- In the absence of emissions trading and private offsets the outlook for achieving financing goals is of concern.
- The US has no backup plan for finance.

Summary: Global Implications

- Domestic Mitigation: US domestic emissions profile may look similar to comprehensive cap and trade for the next decade. US may be “*in the range of*” its Copenhagen commitment.
- Financing: No conceivable role for offsets. US financing obligations would be difficult to achieve even with emissions trading. Without a trading market, financing is a concern.

