

Comparison of Major Market-Based Climate Change Bills in the 111th Congress

Draft as of October 2, 2009

Major Differences between Kerry-Boxer and Waxman-Markey

Targets

Waxman-Markey seeks a 17% reduction of 2005 covered emissions levels in 2020.

Kerry-Boxer seeks a 20% reduction of 2005 covered emissions levels in 2020.

Allowance allocations

Waxman-Markey distributes approximately 85% of allocations to public and private entities and makes 15% available for auction.

Kerry-Boxer has not yet determined full allocations, though it stipulates that 25% of allocations be auctioned to reduce the federal deficit.

Reserve allowances

Waxman-Markey sets the reserve allowance price at \$28 (2009 dollars) in 2012, which increases to 160% of 36-month rolling average daily reserve price after 2015.

Kerry-Boxer sets the reserve allowance price at \$28 (2005 dollars) in 2012, which increases by 5% plus inflation until 2017, then by 7% plus inflation.

Offset amounts

Waxman-Markey sets a ceiling of 2 billion credits, 1 billion domestic and 1 billion international, though international can substitute for domestic up to 1.5 total international credits.

Kerry-Boxer sets a ceiling of 2 billion credits, 1.5 billion domestic and .5 billion international, though international can substitute for domestic up to 1.25 total international credits.

Carbon market regulation

Waxman-Markey delegates authority to the Federal Energy Regulatory Commission to regulate carbon-trading cash markets and to the Commodity Futures Trading Commission to regulate derivative markets.

Kerry-Boxer delegates all authority over carbon-trading markets (cash and derivatives) to the Commodity Futures Trading Commission.

International competitiveness

Waxman Markey allocates 15% of allowances to trade-sensitive industries and may require, in the absence of an international agreement, a international reserve allowance program (border tariffs) starting in 2020.

Kerry-Boxer will allocate some amount of allowances to trade-sensitive industries and has placeholder language indicating the use of some kind of 'border measure.'

EPA authority

Waxman-Markey removes the authority of the EPA to further regulate large sources of greenhouse gases with the inception of the program.

Kerry-Boxer maintains the EPA's authority to regulate large greenhouse gas sources in addition to the emissions reduction program.

Renewable electricity standards

Waxman-Markey establishes a 15% renewable energy standard with a 5% improved energy efficiency standards for a combined total of 20% by 2020.

Kerry-Boxer does not include any language establishing renewable energy standards.

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	Waxman-Markey (H.R. 2454)	Kerry-Boxer (draft text)
Emissions Targets	Economywide reductions from 2005 levels: 3% by 2012, 20% by 2020, 42% by 2030, 83% by 2050. Covered sources reductions from 2005 levels: 3% by 2012, 17% by 2020, 42% by 2030, 83% by 2050.	Economywide reductions from 2005 levels: 3% by 2012, 20% by 2020, 42% by 2030, 83% by 2050. Covered sources reductions from 2005 levels: Same goals as economywide reductions.
Allowance Allocation	In 2012, 85% of allocations will be given away, including 30% to LDCs, 5% to merchant coal generators, 15% to trade-intensive industries, 15% to protect low income households, 11.5% to states, 9% to NG distributors, 3% to car companies, 2% to oil refineries, 5% for REDD practices, 4% for domestic and international adaptation. Most allocations phase out by 2030.	Current legislation does not fully designate allocation of auctioned or freely distributed permits. 25% of allocations to be auctioned to reduce national deficit. To be determined in future discussions.
Cost Containment	Offsets are primary containment mechanism (see offsets section). Reserve auction of 1% of total cap in 2012, rising to 3% by 2050. Reserve price \$28 (in 2009\$) in 2012; by 2015 price will be 60% above rolling 36-month ave. daily reserve price. Borrowing: up to 15% borrowing, 5-yr limit, no interest for next yr, then 8% ann. interest.	Offsets are primary containment mechanism (see offsets section). Reserve supplied with combo of part of cap and annual unsold allowances, limited to 15% of cap until 2017, 25% after 2017. Reserve price \$28 (in 2005\$) in 2012; increases by 5% plus inflation until 2017, then 7% plus inflation. Unlimited banking. Up to 15% borrowing, 5-yr limit with 8% ann. interest.
Offsets	1 offset credit = 1 allowance until 2018, then 1.25 international offset = 1 allowance. Total offsets cannot exceed 2 billion tons, 50% domestic and 50% int'l, though int'l can increase up to 1.5 billion if domestic ceiling is not reached. Offset Integrity Advisory Board will monitor program integrity. USDA has oversight of domestic forestry and ag.	1 offset credit = 1 allowance until 2018, then 1.25 international offset = 1 allowance. Total offsets cannot exceed 2 billion tons, 75% domestic and 25% int'l, though int'l can increase up to 1.25 billion if domestic ceiling is not reached. Duration limits between 5 and 20 years. Office of Offsets Integrity in DOJ will ensure civil enforcement of program.
Technology	Up to 15% renewable electricity standard and 5% improved energy efficiency standard by 2020 ; electric vehicle deployment and infrastructure development; incorporate Smart Grid tech into Energy Star and appliance rebate programs; energy efficiency through state building code, appliance, utilities and industry programs.	Establishes national strategy and early deployment program for CCS; removes some barriers to nuclear development; grants for advanced biofuels and states with RPS; efficiency standards for transportation; labeling for water efficiency and carbon footprint; energy efficiency through national building codes and retrofits done by states.
Competitiveness	Rebates (in form of 15% free allocations) for energy or trade-intensive industries, determined by direct compliance effects and product of emission intensity and electricity efficiency factors. International Reserve allowances to be issued for eligible industries starting in 2020.	Rebates for energy or trade-intensive industries, determined by direct compliance effects and product of emission intensity and electricity efficiency factors until 2035. Will contain border measures, though no specific stipulations currently.