

U.S. Climate Change Policy



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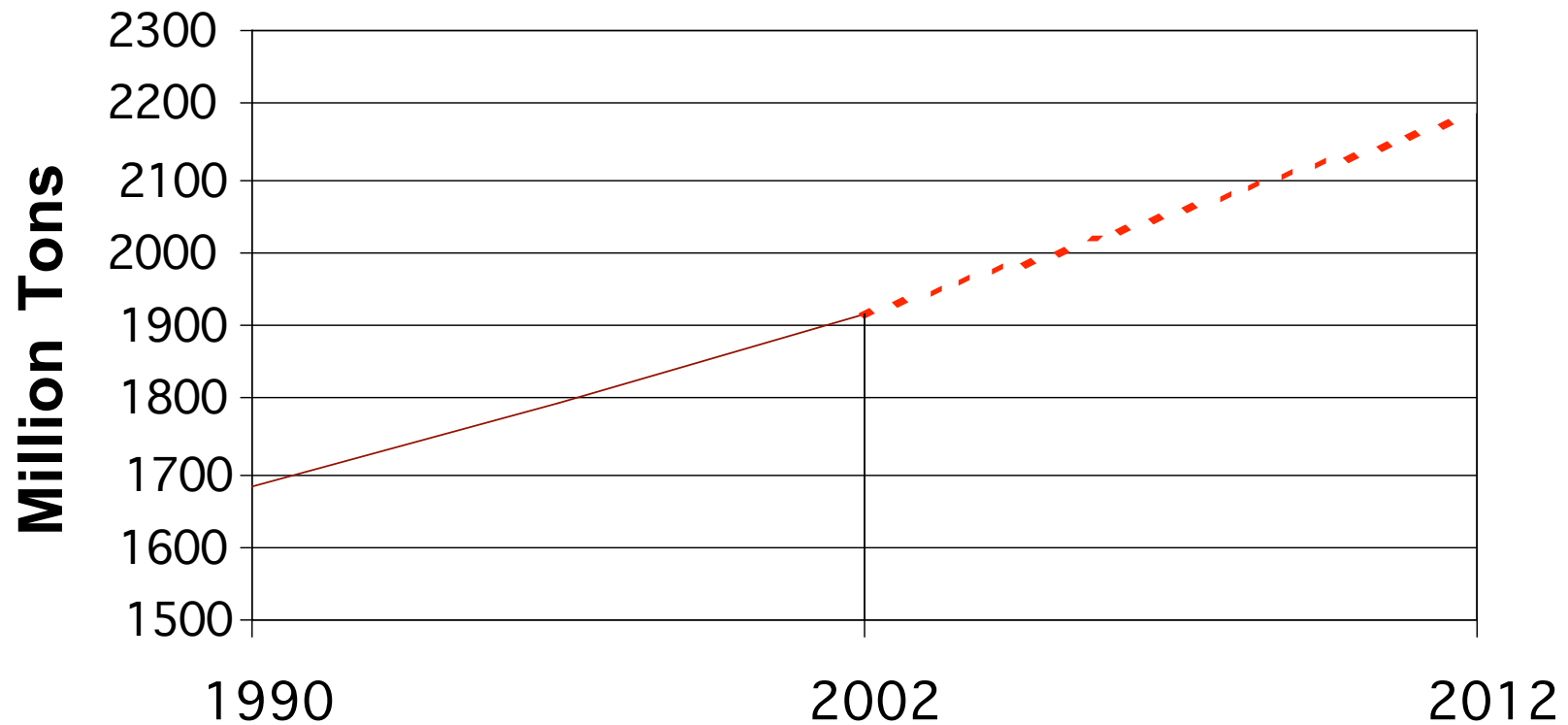
Key Points

- U.S. Policy is Unstable
 - Administration policy is out of step with trends
- U.S. will have mandatory policies
- International re-engagement will follow
- Bush approach will last longer if:
 - Kyoto fails
 - Other countries weaken domestic policies
 - U.S. voluntary, long-term policy is taken seriously

Bush Administration National Policy -- February 2002

- National 18% Emissions Intensity Goal
- Voluntary industry commitments
- Technology R&D
 - FutureGen: advanced coal, sequestration
 - Hydrogen/Fuel Cells
- Revisions to the national GHG registry
- Science Research

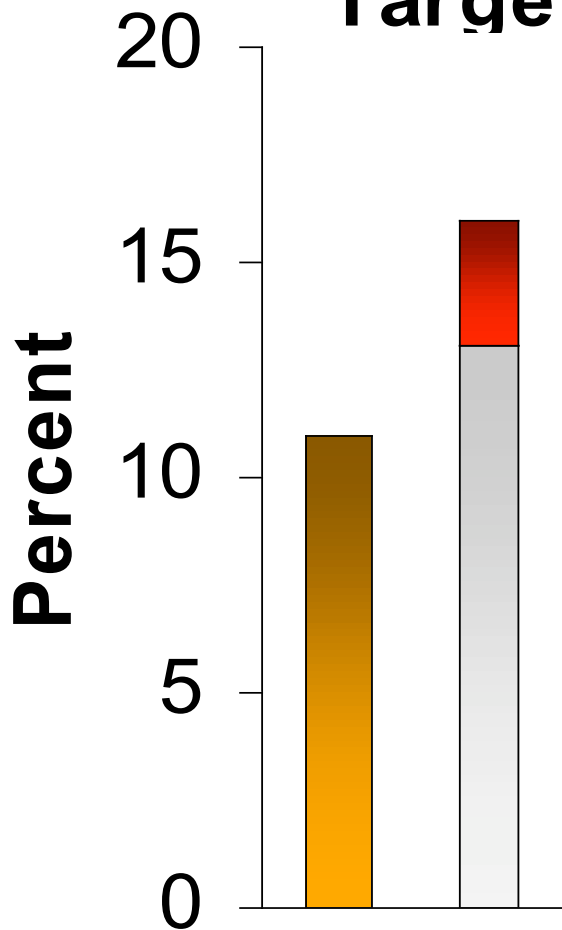
Administration Plan: Total U.S. carbon pollution (all sectors) keeps growing 14% per decade -- same as before



National Goal Will Increase Emissions

- Emissions Increase
 - RIVM: 32% Above 1990 in 2012
- Reductions from BAU emissions growth?
 - White House: 100 MMTC in 2012
 - Less than 4 percent reduction from 2012
- Repackage Existing Programs
- No review until 2012

Power Sector Voluntary Target, reduce intensity 3-5%,

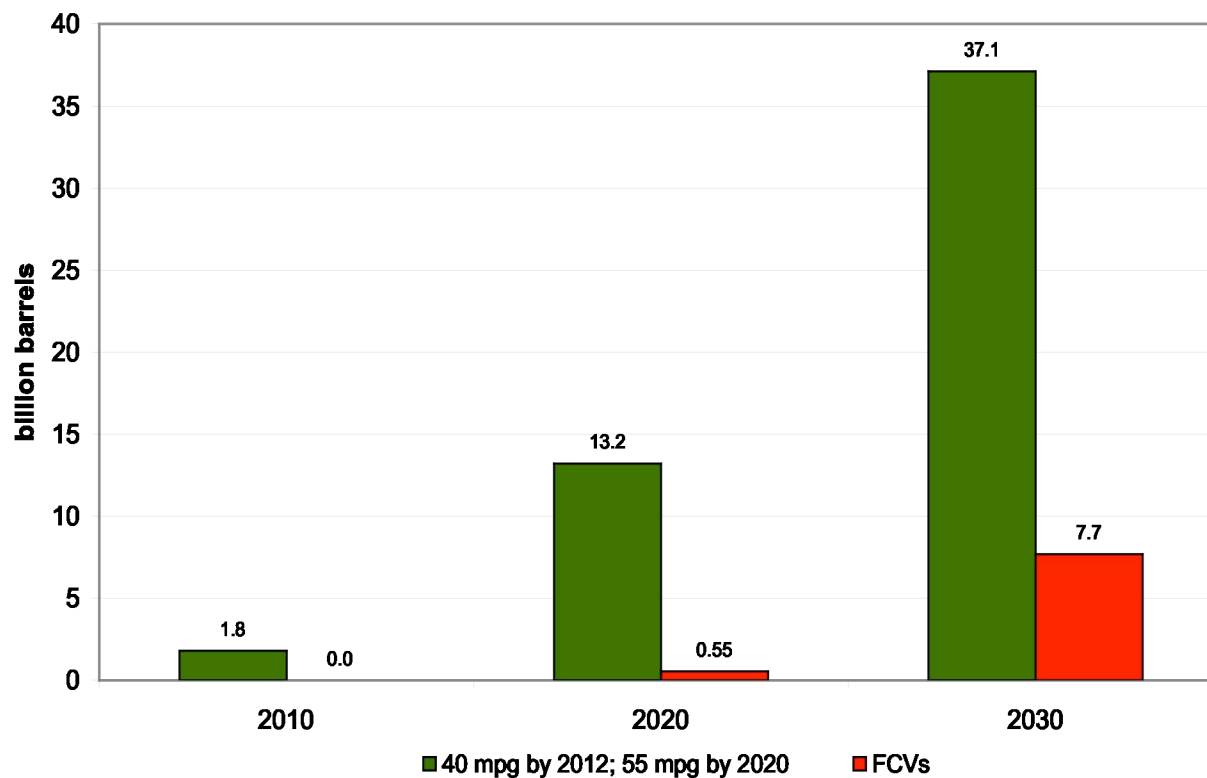


Edison Electric Institute's projection:
13-16% more CO₂

Energy Information
Administration's business-as-usual
projection:
11% more CO₂

Support Fuel Cells, but Ignore Vehicle Efficiency

**Cumulative Oil Savings:
Fuel Economy Standards vs. Fuel Cell Vehicles**



Fuel economy scenarios from *Dangerous Addiction, Ending America's Oil Dependence*, NRDC, January 2002.

New Coal Technology; No Reason to Use It

- FutureGen Coal Plant CO₂ Capture Demo
 - 10 years to build plant using technology available now
- Oppose all emission limits that would ensure rapid investment and deployment
- Weaken Clean Air Act to Avoid Clean Up of Existing Coal Plants
- Oppose Renewable Energy Standards

Exaggerating Scientific Uncertainty

- “The extent to which the human-made portion of greenhouse gases is causing temperatures to rise is still **unknown**”
- Financial Times, December 1, 2003
- “Plan lacks a clear guiding vision and does not sufficiently meet the needs of decision-makers”
– National Academies of Science, 2003
- [Cooney edits...]

Federal Policy Overview

- Congressional Action: 2005 Energy Bill
 - Senate Resolution on Mandatory Policies
 - McCain-Lieberman
 - Bingaman-National Commission on Energy Policy
 - Senate Resolution on International Re-engagement
 - Hagel Provisions and Other Energy Bill Outcomes
- Background of Climate Policy Activity
 - Public Opinion: consistent ~75% support for action
 - State Actions, including mandatory limits
 - Law Suits
 - Investor activity
 - Corporations: targets; support for action

The Big Picture US National Policy

- Bush policy unwavering despite evolving debate
 - Timing of “tipping point” uncertain
- Congressional efforts are evolving toward:
 - Mandatory and legally enforceable limits
 - Emissions trading
 - International linkage through trading
- U.S. Congress can act independently of the Administration
 - Introduce and pass legislation
 - Hearings and reports

Signs of Progress?!

- “I have come to accept that something is happening with the Earth’s climate. I am looking for a solution, but I am not going to join the crowd that thinks it will be simple, [or] that thinks Kyoto was the solution...So we’ve got to talk about something else.”

Sen. Domenici, Chair Senate Energy Committee

Bingaman Resolution

- Non-binding Senate resolution:
 - Slow, stop, and reverse the growth of...emissions
 - Congress should enact a comprehensive and effective national program of mandatory, market-based limits
 - Incentives on emissions of greenhouse gases
 - ...will not significantly harm the economy.
- Senate Vote: 53-44 in favor
- Replaces Byrd-Hagel Resolution from 1997

McCain-Lieberman Bill

- Economy wide GHG emissions limit
 - 75% of U.S. GHG emissions
 - Power plants, transportation, large industrial
 - All 6 Kyoto GHGs
 - 2000 levels in 2010
 - Previous 2nd phase, from 2016, dropped for now
 - Emissions Trading
 - Offsets, international allowances (15%)
 - Allocation: Auction, grandfather hybrid
 - Technology package funded by auction revenue
 - Tech package revised in 2005 to include nuclear subsidies
- Senate Vote: 38-60, against.
 - Worse vote count than 2003 because of nuclear subsidies

Bingaman-NCEP Bill

- Derived from National Commission on Energy Policy
 - Non-partisan, high-level independent policy dialogue
- Economy wide GHG limits, but...
 - Total coverage similar to McCain-Lieberman
 - Intensity-based: 2.4% annual improvement 2010-2019, 2.8% after 2020
 - 5% emissions growth from 2010 to 2020
 - Approximate freeze at 2020 levels
 - Cost cap \$7/ton CO₂, increasing 5% year
 - 95% allocation for free, 5% auction
 - Technology package
- Not formally offered in Senate, but “in play”

Kerry Resolution

- Non-binding Senate resolution:
 - Participate in international negotiations under the Convention
 - Mitigation commitments by all ... major emitters ... consistent with the principle of common but differentiated responsibilities
 - Flexible international mechanisms to minimize the cost of efforts
 - Achieve a significant long-term reduction in ... emissions;
 - Effective and comprehensive national policies
- Senate Vote: 46-49, against
- Lesson: Higher level of comfort and/or focus in Congress for domestic mandatory action than international re-engagement; “Kyoto” remains a hot-button word.

Hagel Provisions and Other Energy Policy

- Hagel Provisions (from Hagel Bill)
 - Small-scale incentives for range of technologies
 - Despite earlier quotes, the provisions retained from the bill essentially codify Bush policy
- Bright Spots?!
 - Some \$ for efficiency, renewables
 - Biofuels mandate
- Bottom Line: Business-as-usual emissions

US Businesses Realize Change is Coming

- "We don't expect Kyoto timeframes to be enforced in the United States but we do expect the international consensus on this issue will prevail in the United States"
 - Susan Tomasky, chief financial officer, American Electric Power
 - AEP is the largest user of coal in the US

Pathway to US Int'l Re-engagement

- Domestic political support must come first
 - National mandatory limit on emissions
- US international re-engagement will follow
 - Timing?
 - Initially through (limited) trading linkages?
- Avoid futile US engagement in the near term
- International implementation is vital policy example, demonstration of political will

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