

US GHG Policy: A Regulatory Update

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How is US GHG policy taking shape?

> State

- California
- Other state actions

> Regional

- Regional Greenhouse Gas Initiative
- Western Climate Initiative

> Federal

State Initiatives: California

- > GHG Targets in California established by AB 32
 - Assembly Bill 32 the first of its kind in the U.S.
 - Reduce to 1990 emission levels by 2020; regulation begins in 2012
 - Bill language does not explicitly require cap-and-trade
 - Disagreement amongst governor's office, state agencies, on how best to achieve GHG targets

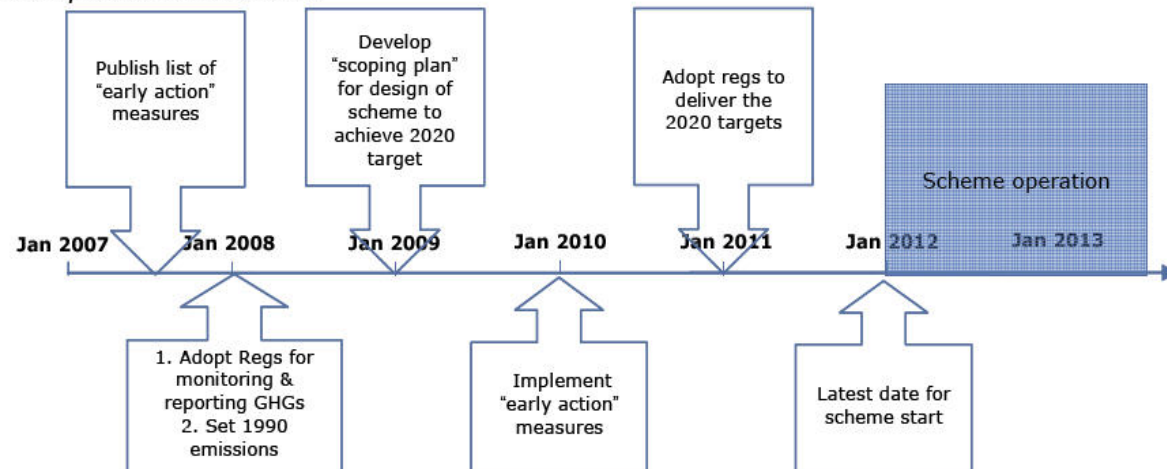


California's AB 32

> State Agencies involved in implementation:

- California Air Resources Board (CARB)
 - **Market Advisory Committee (MAC)**
 - Economic & Technology Advancement Advisory Committee (ETAAC)
- California Public Utilities Commission (CPUC)
- California Energy Commission (CEC)
- Governor's Climate Action Team (CAT)

Development Timeline for AB32



Source: New Carbon Finance

AB 32: Considerations

- > California regulators wary of market mechanisms
- > Offsets/C&T a sensitive issue in California
- > CA joined the Western Climate Initiative (WCI)



California's recommendations likely to influence other states, and federal legislation

Other State Action

- > Legislated Economy-Wide Caps
 - Hawai'i and New Jersey have followed in California's footsteps...
- > Climate Action Plans Complete
 - 8 States
- > Climate Action Plan underway
 - 11 states
- > WCI Members
 - 6 states
- > RGGI Members
 - 10 states

**State action is fragmented
without a federal program**



The Regional Greenhouse Gas Initiative

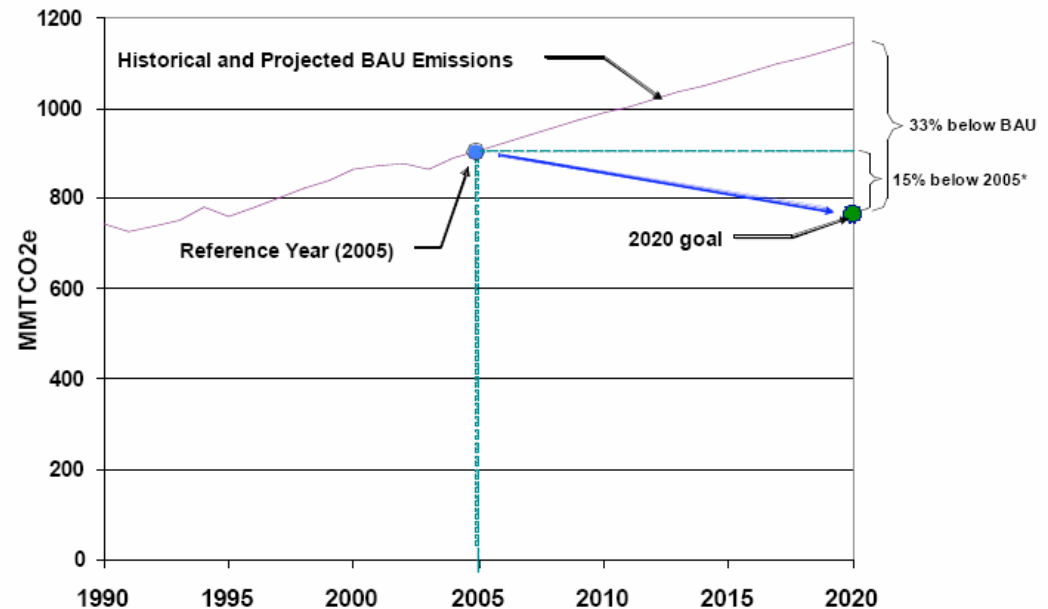
- 10 States joined with PA observing: NY, MD, MA & NJ have largest allocations
- Cap is held steady at baseline (2003-2005 avg.) through 2014, then reduced by 10% by 2018;
- First 3-year compliance period begins Jan 1, 2009
- Offsets allowed up to 3.3% of any entity's compliance budget
- Allowance prices trigger safety valves which increase scope and % of eligible offsets



The Western Climate Initiative

- RGGI's west-coast equivalent
- Recently released GHG reduction goals for individual states
- Overall reductions equal to 15% below 2005 levels by 2020
- Likely to be a cap-and-trade system
- So far, little opportunity for stakeholder input
- Guidelines to be drafted within the next year

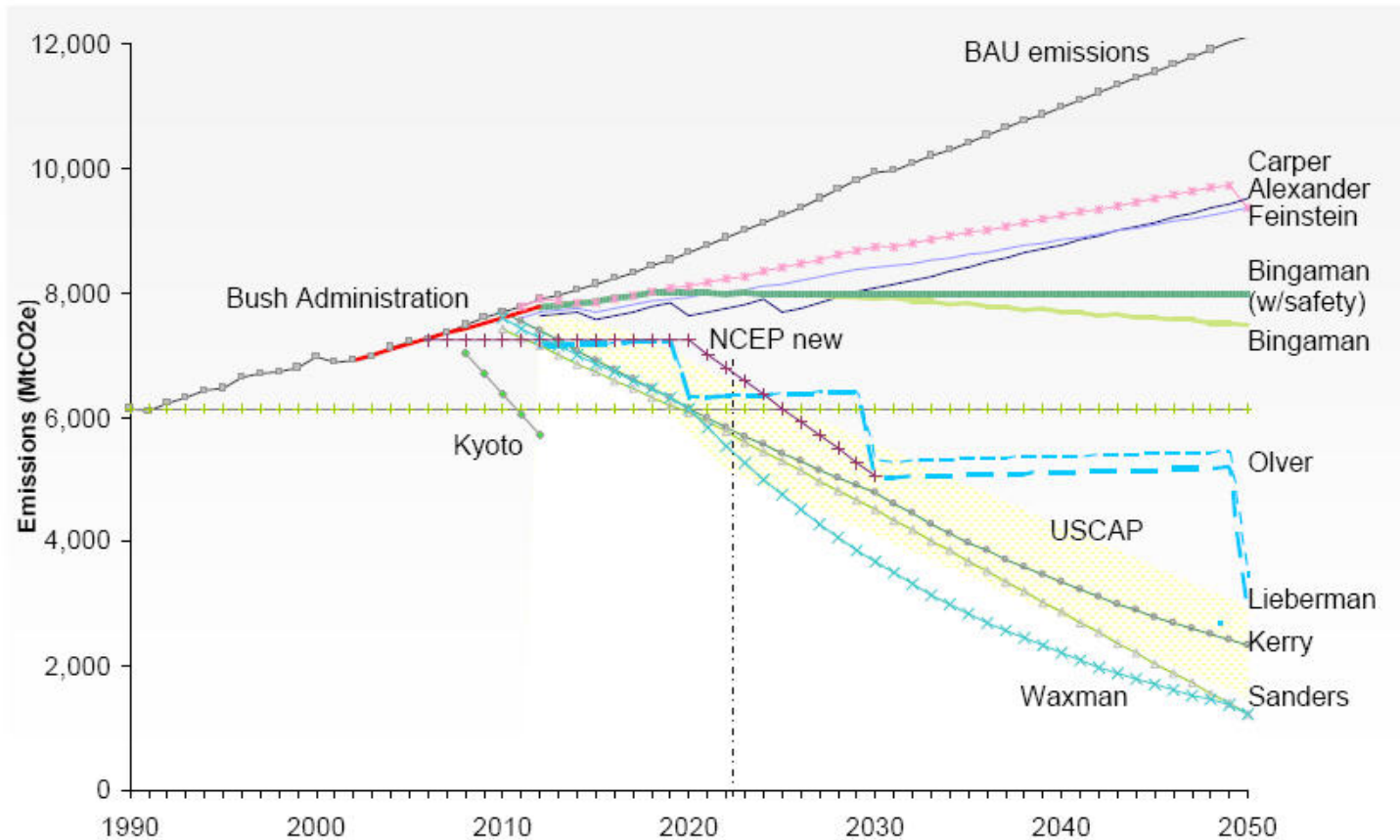
WCI Partner GHG Emissions and Regional Goal³



BAU = Business-as-usual (projections).

Proposed Federal GHG Bills

Comparison of US 2007 Climate Change Bills – Emissions versus Targets



Source: New Carbon Finance. Notes: BAU = business as usual greenhouse gas emissions; Projections based on EIA and BEA data, and NEF extrapolations; NCEP new = National Commission on Energy Policy's revised recommended targets; USCAP = US Climate Action Partnership's recommended targets.

Federal Initiatives

- > ~10 federal climate bills have been proposed to Congress
 - Vary in scope, point of regulation, treatment of offsets, linkages, etc., but none has taken hold
 - Estimates for passing US policy range from 2009-2011
- > But, serious national cap-and-trade compliance legislation slated for debate this fall
- > The current focus: The Lieberman-Warner Proposal
 - **Not** a bill; a proposal to reconcile points from all existing bills into one plan
 - Comments currently being accepted from various stakeholders
 - Proposal to be converted into legislation and brought in front of Congress this Fall
 - Senator Boxer, Chair of Environment and Public Works Committee, plans to use the Lieberman-Warner bill as a starting point to discuss climate policy

Estimated Future Transaction Value of North American Emission Trading Market (\$bn) ²

	2012	2015
US State level schemes		
RGGI only	-	0.0
WRCAI (electricity only)	0.2	1.9
California only	0.4	3.1
All States (no federal)	0.9	6.9
US Federal level schemes		
Low	2.0	10
Med (electricity only)	3.0	17
High	13	50
Voluntary market		
Low	0.6	n.e.
High	3.0	n.e.
Canada		
Low	0.8	2.5
High	2.4	4.1
EU ETS	25	n.e.
Kyoto (incl. EU ETS)	16	n.e.

Source: New Carbon Finance. n.e. = no estimate given.

For More Information

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