



# Implications of a US Federal GHG Cap and Trade Program

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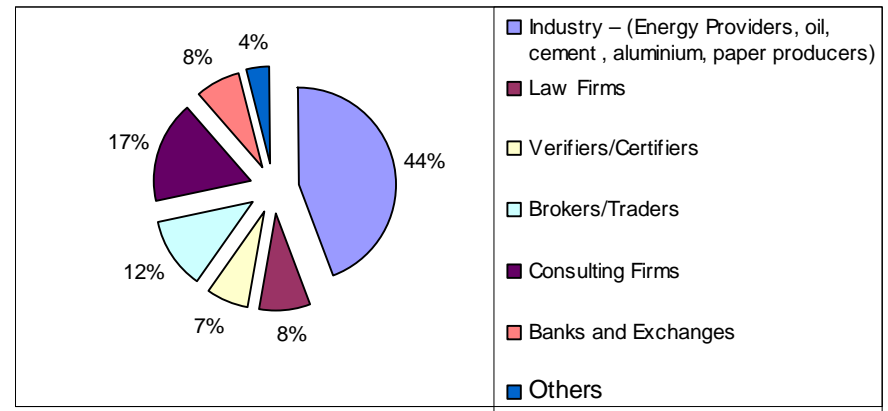
## **IETA is dedicated to:**

- the objectives of the United Nations Framework Convention on Climate Change and ultimately climate protection;
- the development of an active, global greenhouse gas market, consistent across national boundaries; and
- maintaining societal equity and environmental integrity while establishing these systems



## IETA status

- Membership 165 as of August 2007
  - 44%: emitters
  - 56% project developers, intermediaries, financial institutions, brokers, verifiers, legal firms
- IETA offices
  - Headquarters in Geneva
  - Ottawa
  - Brussels Office – Opened in June 2007
  - Washington DC Office – Opened in August 2007





## Principles of IETA

- Climate Change is a global issue to be addressed through global action
- GHG trading systems must be established with economic efficiency and environmental integrity as fundamental objectives
- Long-term policy certainty is necessary to achieve cost-effective reductions
- A Global regime will deliver lowest cost reductions
- Offsets facilitate linkage and the creation of a global carbon market



## **Building the global market**

- Broader markets are more efficient markets
- A ton is a ton – project-based reductions have a critical role to play as a linking currency
- Complex system design creates barriers to linking, potentially increasing the costs the system is designed to guard against



## **A U.S. carbon market is coming**

- There is a consensus – the question is now ‘when’, not ‘if’
- September 2007 session will see lot of activity, aimed toward carbon legislation after 2008 Presidential election
- Key questions are now the design of the program and international compatibility, different proposals gathering support
- Where to watch: Lieberman-Warner bill in the Senate – unless the House Energy and Commerce Committee takes over



## The Lieberman-Warner Proposal

- A bipartisan proposal that will be the basis for negotiations this Fall
  - Linking to other systems (up to 15% of allowances)
  - Offsets permitted for up to 15% of compliance
  - Broad sectoral coverage
  - Carbon Market Efficiency Board – a central bank for the US market
  - Other design elements will come from compromises based on bills proposed earlier

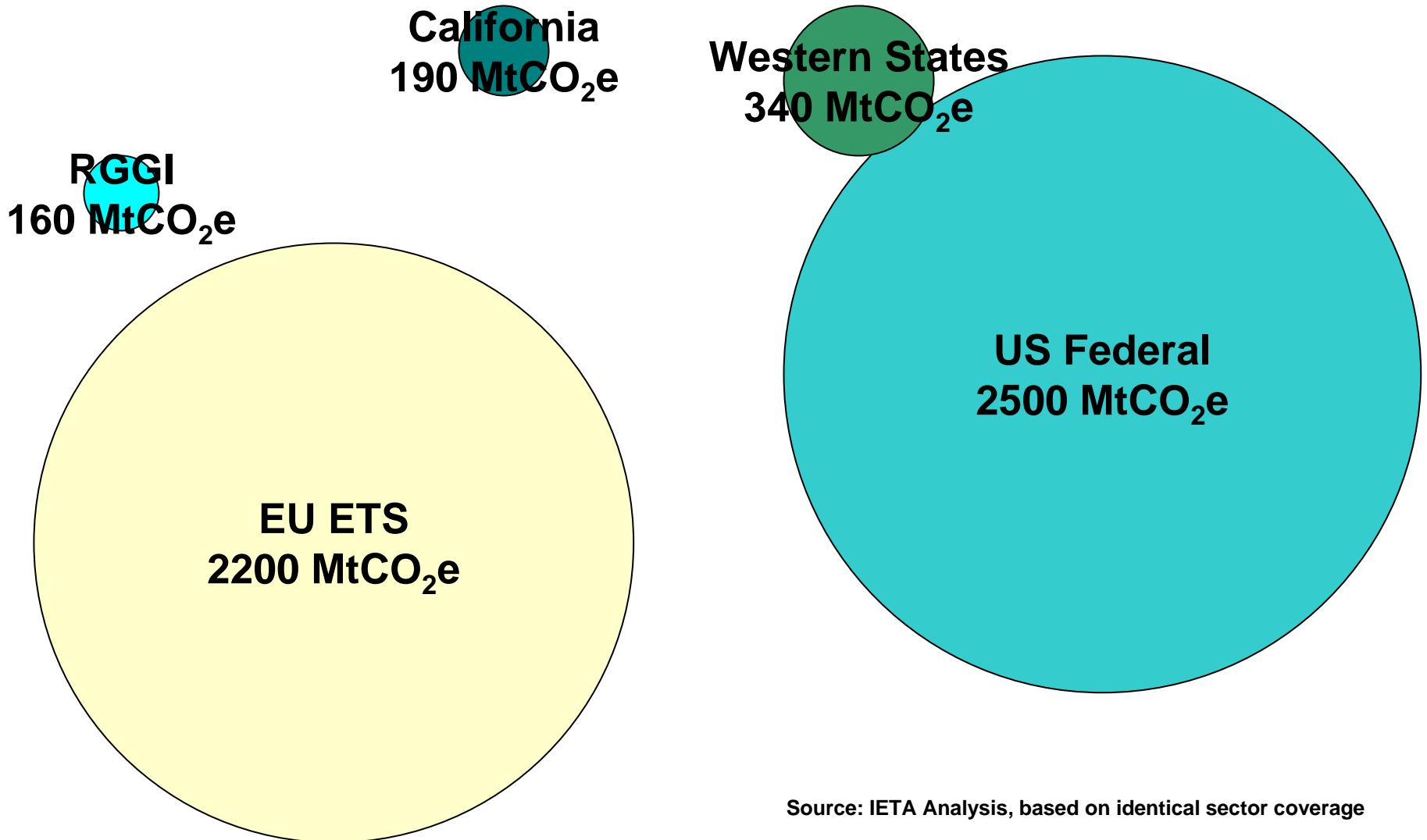


# Overview of Proposed US Bills

	Point of Regulation	Allocation	Price Limits & Controls	Offsets	Technology
<b>Bingaman (draft)</b>	Process & non-CO2 at source, economy wide fossil fuel at production	55% to Industry, -2% per year, 30% to States, remainder given as incentives	\$7/ton safety valve	Set-aside for offsets, significant access	Detailed provisions, funded up to \$50 bn by allocation
<b>Liebermann-McCain (S.280)</b>	Large downstream at source, transport at refinery	Minimum 50% auctioning or sale	Borrowing with interest	Sequestration, plus international through 'CDM-like' US program	Unspecified program funded by allocation
<b>Sanders-Boxer (S.209)</b>	Economy wide, EPA to determine	EPA to determine	EPA to determine	Domestic sequestration	Performance standards to be set
<b>Feinstein-Carper (S.1168)</b>	Electricity sector at source	85% grandfathering, gradual move to 100% auction by 2036	Borrowing	Full access, incentives for agricultural	Incentives for CCS



# Potential Market Sizes





## Connection to the global carbon market?

- Lieberman-Warner will permit allowances from international systems, but offsets unclear – what about the CDM?
- How would this relate to hemispheric trade agreements such as NAFTA or the proposed FTAA/ALCA?
- Key IETA concern in the US process is allowing US market access to international offsets, ideally to a post-2012 global standard unit



## For more information

International Emissions Trading Association

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CARBON FORUM  
ASIA 2007

November 6-7

CARBON FORUM  
AMERICA 2008

February 26-27

