The background of the slide features a view of the Earth from space, showing the curvature of the planet and the blue oceans. A light blue horizontal bar is positioned at the top of the slide, and the overall background has a soft, hazy appearance.

Summary of the House Energy and Commerce Energy and Climate Discussion Draft

April 29, 2009

ETAAC Committee Meeting
California Air Resources Board

Federal Energy Bill Development

- American Clean Energy and Security Act of 2009 (ACESA)
- House Energy and Commerce Committee and Energy and Environment Subcommittee
- Co-sponsored by Reps H.Waxman and E.Markey
- Committee timing (proposed)
 - Draft bill release March 31
 - Subcommittee hearings April 20
 - Subcommittee markup May 4
 - Full committee markup TBD
 - Full committee vote May 22

Outline

- ACESA - Cap / Trade (Title III)
- EPA assessment of Cap / Trade proposal
- ACESA - LCFS & RFS
- ACESA – Additional Energy Measures
- ARB Priority Issues for ACESA

ACESA – Cap / Trade (1)

- Cap levels
 - 3% below 2005 levels by 2012
 - 20% below 2005 by 2020 (*AB 32 ~15% below*)
 - 42% below 2005 by 2030
 - 83% below 2005 by 2050
- Scientific Input and Review
 - Directs NAS to conduct science review on CO₂, technology options and progress

ACESA – Cap / Trade (2)

- Creates EPA Clean Air Act Title VII
- Allowance Value Distribution
 - Auction vs. free allocation not defined
 - Defines programs to be funded by proceeds
 - Consumer assistance, worker transition, international support, adaptation
- Point of Regulation – Phase in over 5 yrs
 - 2012 (68% of emissions): Electric power, Transportation
 - 2014 (76% of emissions): Industrial sources >25,000 tonnes
 - 2016 (85% of emissions): NG local distribution companies

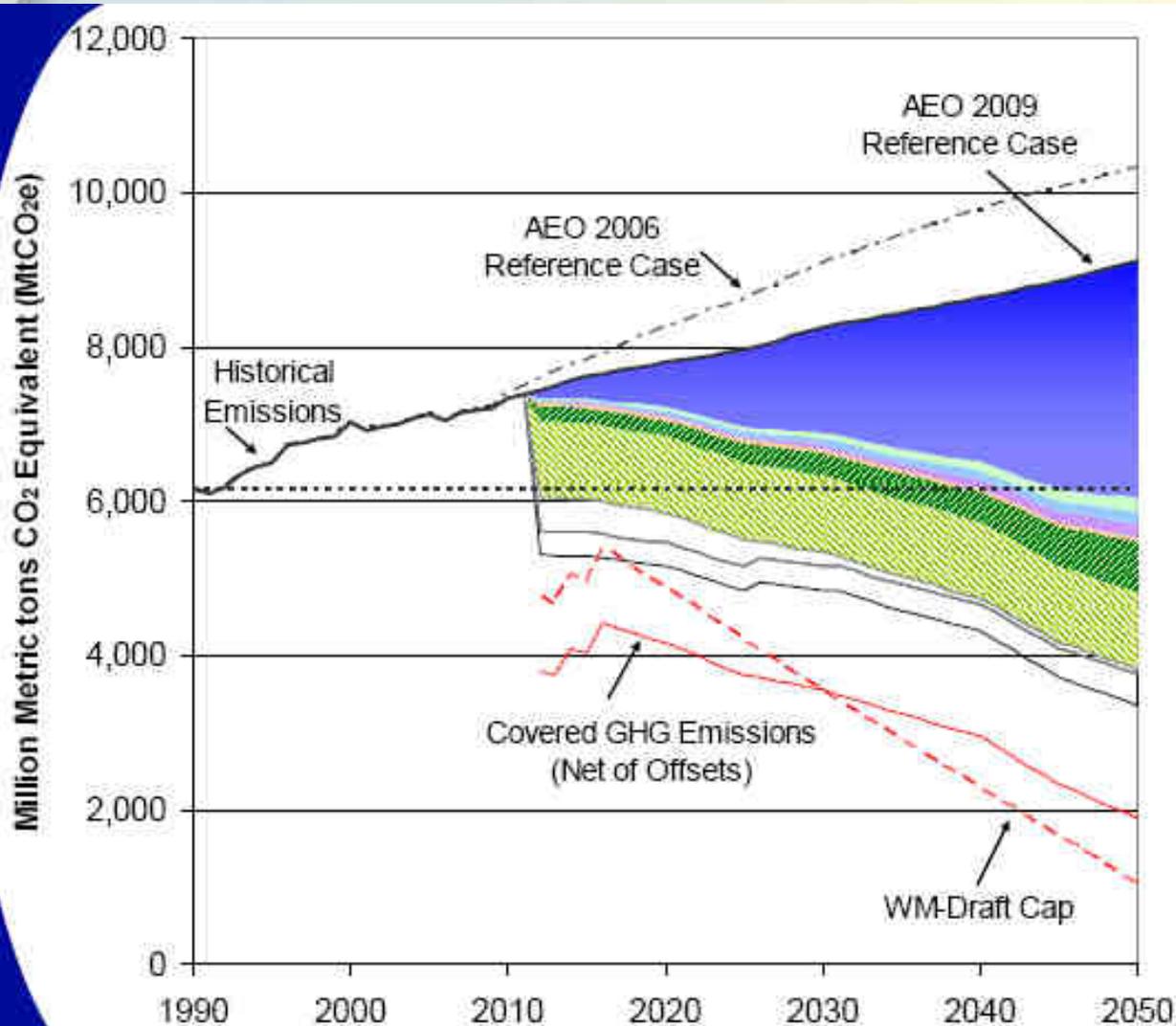
ACESA – Cap / Trade (4)

- Offset Rules
 - Up to 2 Billion tonnes offsets allowed, 1B domestic
 - Establishes Offsets Integrity Advisory Board
- Cost Containment
 - Unlimited banking, 1 yr borrowing without interest
 - Strategic reserve: 1 - 3% of annual allowances
 - International allowances may be allowed in future
- Temporary moratorium on State programs
 - No State “cap” programs 2012 to 2017
 - Does not apply to complimentary measures that are energy or CO2 intensity based
 - Provides for conversion of allowances from existing programs

USEPA Assessment of C/T (1)

- Economic and emission modeling of impacts from ACESA
 - Only includes Title III policy (Cap/Trade)
 - Does not include LCFS, RPS, or vehicle standards
- Emissions results
 - Zero carbon energy sources: 18% (2020), 46% (2050)
 - Without policy – remains at 14% thru 2050
- Allowances prices
 - \$17 - \$22 / tCO₂e in 2020
 - Updated AEO 2009 baseline with slower economy
 - Offsets have strong effect on allowance price

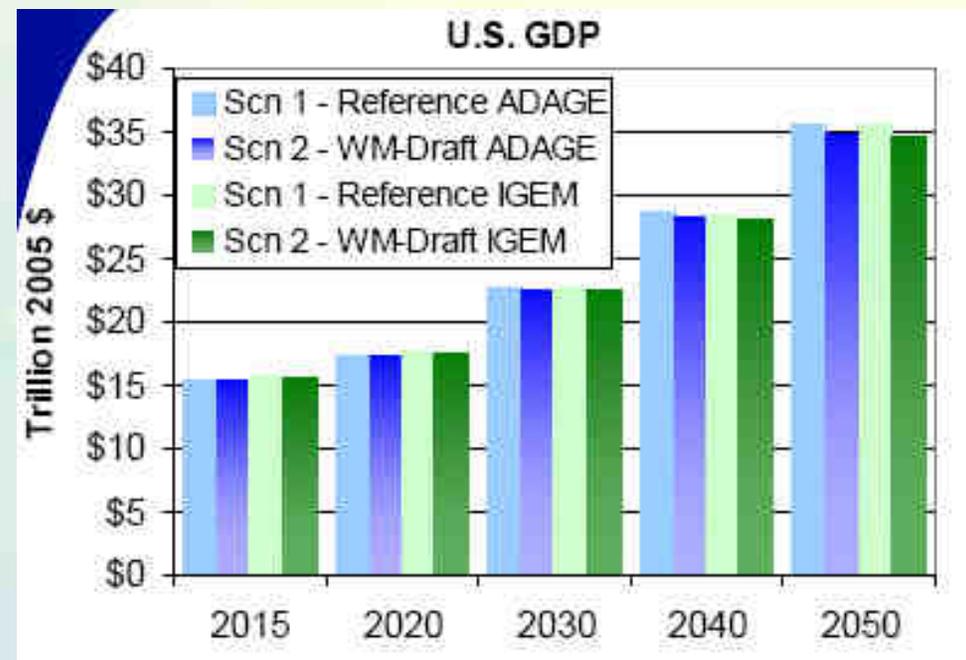
USEPA Assessment of C/T (2)



- The updated reference case for this analysis is based on AEO 2009, and the old reference case from EPA's S. 2191 analysis was based on AEO 2006.
- Cumulative 2012-2050 GHG emissions are 14% (51 bmt) lower in the AEO 09 baseline compared to the AEO 06 baseline in ADAGE due to the inclusion of EISA, lower initial (2010) GDP (\$13.2 trillion in AEO 09 vs \$14.6 trillion in AEO 06), and a lower projected GDP growth rate (2.5% in AEO 09 vs 3.0% in AEO 06).
- WM-Draft allows a quantity of 2 billion metric tons CO₂e of offsets each year split evenly between domestic and international. The domestic limit is non-binding in this analysis.

USEPA Assessment of C/T (3)

- If revenue returned to U.S. households
 - Consumption reduced ~0.2% below reference in 2020 and ~0.4% by 2030
 - By 2050, household consumption down by \$98-140/yr NPV compared to BAU
 - By 2050:
GDP reduced 1.6-2.2% BUT
GDP still grows from ~15 to 35T
 - If revenue not returned to households, much larger losses in consumption



ACESA – LCFS & RFS

- National LCFS outline
 - 2012 to 2022 Fuel baseline (no backsliding)
 - 2023 to 2030 5% below 2005 baseline
 - 2030 + 10% below 2005 baseline
- Sets lifecycle emissions framework similar to California and EISA 2007
- Renewable Fuels Standard (RFS) volumes and GHG benefits are considered separately through 2022 at which time they are harmonized with LCFS

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- **ACESA – Additional Energy Measures**
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Title I: Clean Energy

- Renewable Electricity Standard
- Carbon Capture and Sequestration
- Clean Transportation/LCFS
- Smart Grid Advancement
- State Energy and Environment Development (SEED) Funds
- Transmission Planning
- Federal Purchases of Renewable Electricity

Title II: Energy Efficiency

- Building Energy Efficiency Programs
- Lighting and Appliance Energy Efficiency Programs
- Transportation Efficiency
- Utilities Energy Efficiency
- Industrial Energy Efficiency Programs

Title IV: Transitioning to a Clean Energy Economy

- Ensuring Domestic Competitiveness
- Green Jobs and Worker Transition
- Exporting Clean Technology
- Adapting to Climate Change
 - National program
 - Public health
 - Natural resource adaptation
 - International program

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ARB's Priority Issues on W/M

- Waxman/Markey succeeds in following areas:
 - Effective and enforceable GHG reduction targets for 2020 and 2050 consistent with the goals of AB32 and Executive Order S-3-05
 - Economy-wide climate policy which integrates market mechanisms (cap-and-trade) with complimentary sector policies and strategies
 - Cost containment through emissions trading, banking and RAVE offsets
 - Preservation of State climate programs*

ARB's Priority Issues on W/M

- Moratorium on State cap programs from 2012-2017
- Specific preservation of State authority
- Vehicle emission standards
- Low Carbon Fuel Standard
- GHG Data reporting
- Allowance allocation
- Regional Growth Planning Requirements

Discussion

