

Summary Overview: USCAP Blueprint for Legislative Action



On January 15, 2009, the US Climate Action Partnership (USCAP) issued the *Blueprint for Legislative Action* – a detailed framework for legislation to address climate change.

The *Blueprint* represents two years of work by USCAP members building on our January 2007 *Call for Action*, a groundbreaking report containing principles and recommendations that urged “prompt enactment of national legislation in the United States to slow, stop and reverse the growth of greenhouse gas (GHG) emissions over the shortest time reasonably achievable.”

The *Blueprint* is a direct response to requests by federal policymakers for a detailed consensus that could help inform legislation. While USCAP is a diverse organization, it does not include all stakeholders and we acknowledge that the *Blueprint* is not the only possible path forward. However, we believe the *integrated* package of policies we are recommending provides a pragmatic pathway to achieve aggressive environmental goals in a responsible and economically sustainable manner.

The United States faces an urgent need to reinvigorate our nation’s economy, enhance energy security and take meaningful action to slow, stop and reverse GHG emissions to address climate change.

USCAP agrees that the science is sufficiently clear to justify prompt action to protect our environment. Each year of delayed action to control emissions increases the risk of unavoidable consequences that could necessitate even steeper reductions in the future, with potentially greater economic cost and social disruption.

“Warming of the climate system is unequivocal, as is now evident from observations of increases in global average air and ocean temperatures, widespread melting of snow and ice and rising global average sea level.”

Intergovernmental Panel on Climate Change,
Climate Change 2007: Synthesis Report

To address these challenges successfully will require a fundamental shift in the way energy is produced, delivered and consumed in the US and around the globe. Thoughtful, comprehensive and tightly linked national energy and climate policy will help secure our economic prosperity and provide American businesses and the nation’s workforce with the opportunity to innovate and succeed.

While we recognize that achieving the needed emission reductions is not free of costs, we also believe well-crafted legislation can spur innovation in new technologies, help to create jobs, and increase investment and provide a foundation for a vibrant, low-carbon economy.

International Principles

Climate change presents a global problem that requires global solutions. USCAP believes that international action is essential to meeting the climate challenge. U.S. leadership is essential for establishing an equitable and effective international policy framework for robust action by all major emitting countries. For this reason, action by the U.S. should not be contingent on simultaneous action by other countries. In our *Blueprint* we offer a set of principles to guide Congress and the Administration to address the global dimension of this problem.

Cap-and-Trade System Design

We believe the strongest way to achieve our emission reduction goals is a federal cap-and-trade program coupled with cost containment measures and complementary policies for technology research, development and deployment, clean coal technology deployment, lower-carbon transportation technologies and systems, and improved energy efficiency in buildings, industry and appliances. In a cap-and-trade system, one allowance would be created for each ton of GHG emissions allowed under the declining economy-wide emission reduction targets (the “cap”). Emitters would be required to turn in one allowance for each ton of GHG they emit. Those emitters who can reduce their emissions at the lowest cost would have to buy fewer allowances and may have extra allowances to sell to remaining emitters for whom purchasing allowances is their most cost-effective way of meeting their compliance obligation. This allows the economy-wide emission reduction target to be achieved at the lowest possible cost.

Targets and a Timetable for Action

USCAP believes the legislation should establish a mandatory, national economy-wide climate protection program that includes aggressive emission reduction targets for total U.S. emissions and for capped sectors (see sidebar). Equally important, it is imperative that the costs of the program be manageable. USCAP believes the recommended targets are achievable at manageable costs to the economy *provided that* a robust offsets program and other cost containment measures, along with other critically important policies as recommended in the *Blueprint* are enacted. In addition, Congress should require periodic assessment of emerging climate science and U.S. progress towards achieving emission reduction targets, and social, environmental and economic impacts in order to determine if legislative revisions are necessary to improve the nation’s climate protection program.

Emission Reduction Targets

- 97%-102% of 2005 levels by 2012
- 80%-86% of 2005 levels by 2020
- 58% of 2005 levels by 2030
- 20% of 2005 levels by 2050

Scope of Coverage and Point of Regulation

USCAP recommends the cap-and-trade program cover as much of the economy’s GHG emissions as politically and administratively possible. This includes large stationary sources and the fossil-based CO₂ emitted by fuels used by remaining sources. The point of regulation for large stationary sources should be the point of emission. The point of regulation for transportation fuels should be at the refinery gate or with importers. Congress should establish policies to ensure carbon-based price signals are transparent to transportation fuel consumers and other end users, thereby encouraging them to make informed GHG-reduction choices. Emissions from the use of natural gas by residential and small commercial end users can be covered, for example, by regulating the utilities that distribute natural gas, often referred to as local distribution companies (LDCs).

Offsets and Other Cost Containment Measures

Adequate amounts of offsets are a critical component of the USCAP *Blueprint*. Emissions offsets are activities that reduce GHG emissions that are not otherwise included in the cap. USCAP recommends all offsets meet strong environmental quality standards (i.e., they must be environmentally additional, verifiable, permanent, measurable, and enforceable). We recommend that Congress should establish a

Carbon Market Board (CMB) to set an overall annual upper limit for offsets starting at 2 billion metric tons with authority to increase offsets up to 3 billion metric tons, with domestic and international offsets each limited to no more than 1.5 billion metric tons in a given year.

In addition, the CMB should oversee a system-wide strategic offset and allowance reserve pool that contains a sufficiently large set of additional offsets and, as a measure of last resort, allowances borrowed from future compliance periods that could be released into the market in to prevent undue economic harm in the event of excessively high allowance prices, especially in the early years of the program. USCAP recommends other measures to limit allowance price spikes and volatility including unlimited banking of allowances and effective multi-year compliance periods.

Allocation of Allowance Value

Emission allowances in an economy-wide cap-and-trade system will represent trillions of dollars in value over the life of the program. USCAP believes the distribution of allowance value should facilitate the transition to a low-carbon economy for consumers and businesses; provide capital to support new low- and zero-GHG-emitting technologies; and address the need for humans and the environment to adapt to climate change.

USCAP recommends that a significant portion of allowances should be initially distributed free to capped entities and economic sectors particularly disadvantaged by the secondary price effects of a cap and that free distribution of allowances be phased out over time.

The *Blueprint* identifies principles to guide the fair and equitable allocation of allowances to: end-use consumers of electricity, natural gas, and transportation fuels; energy intensive industries that face international competition; trade-exposed commodity products; competitive power generators and other non-utility large stationary sources; low-income consumers and workers in transition; programs to achieve technology transformation; and adaptation needs of vulnerable people and ecosystems at home and abroad. A significant portion of emission allowance value should also be allocated to electric and natural gas LDCs, which are cost regulated, to dampen the price impact of climate policy on electricity and small natural gas customers, particularly in the early years of the emission constraint.

Credit for Early Action

USCAP recommends a robust program to provide credit for early action for those who have or will take early actions to reduce emissions. This is an important cost-containment mechanism for early actors to ensure they will not be at a relative disadvantage compared with those who wait to take action.

Complementary Measures

USCAP believes that policies and measures that are complementary to a cap-and-trade program are needed to create incentives for rapid technology transformation and to ensure that actual reductions in emissions occur in capped sectors where market barriers and imperfections exist that prevent the price signal from achieving significant reductions.

Technology Transformation

A robust technology transformation program that results in substantial investment in new technologies is a critical complementary measure to a national strategy to cap and reduce GHG emissions. USCAP

recommends a program that features federal support for emerging technology research and early demonstration and deployment of new technologies.

Coal Technology

USCAP recommends that Congress provide needed regulatory certainty and substantial financial incentives to facilitate and accelerate the early deployment of carbon capture and storage (CCS) technology, including addressing financial and regulatory barriers that could delay wide-spread deployment. USCAP recommends implementing CO₂ emissions standards for coal plants initially permitted after January 1, 2015, subject to Congress providing adequate funding for CCS and needed regulatory certainty being in place; and retrofit requirements for coal plants initially permitted after January 1, 2009 and prior to January 1, 2015, subject to deployment thresholds being met.

Transportation

Achieving the USCAP economy-wide emission reduction targets and timetable will require a systematic approach that involves fuel providers, vehicle and equipment manufacturers, consumers and other end users, and public officials who set policy direction and plan and manage transportation and related infrastructure and land use. The systematic approach recommended by USCAP includes improving both fuel and vehicle GHG performance standards, as well as improving the efficiency of the transportation system.

Buildings and Energy Efficiency

USCAP believes one of the most immediate steps Congress can take to begin to address climate change is to enact policies and measures that improve the energy efficiency of the U.S. economy. We recommend aggressive promotion and implementation of GHG reduction programs including state- or utility-sponsored conservation and efficiency programs, tightened building codes and standards, and appliance efficiency standards. Collectively, these programs will help drive investment in cost-effective energy efficiency by encouraging utilities and consumers to improve efficiency when the cost of doing so is lower than the cost of an equivalent amount of energy in the form of electricity or natural gas.

Our Commitment

We, the members of the U.S. Climate Action Partnership, pledge to work with the President, the Congress, and all other stakeholders to enact an environmentally effective, economically sustainable, and fair climate change program consistent with our principles at the earliest practicable date.

To learn more about the USCAP *Blueprint for Legislation Action*, please visit www.us-cap.org.

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The U.S. Climate Action Partnership is a non-partisan coalition composed of 26 major corporations and five leading environmental organizations that have come together to call on the federal government to quickly enact strong national legislation requiring significant reductions of greenhouse gas emissions. USCAP has issued a landmark set of principles and recommendations to underscore the urgent need for a policy framework on climate change.