

# Lieberman-Warner Climate Security Act - S. 2191 Summary of Version Passed by Senate Environment and Public Works Committee on December 5, 2007

The Lieberman-Warner Climate Security Act (L-W CSA) would establish a cap-and-trade program within the United States requiring a 70% reduction in greenhouse gas (GHG) emissions from covered sources, which represent over 80% of total U.S. emissions. The bill as amended also includes complementary policies, such as a low carbon fuel standard and provisions aimed at enhancing energy efficiency. Taken together, the bill's sponsors believe these provisions will reduce overall U.S. GHG emissions roughly 63% by 2050.

# **Scope of Coverage**

The L-W CSA divides the six GHGs into two categories: Group I (carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, and perfluorocarbons) and Group II (hydrofluorcarbons). For all GHGs, the bill uses the common unit of measurement CO<sub>2</sub> equivalent (CO<sub>2</sub>e)—the quantity of GHGs that the U.S. EPA has determined makes the same contribution to global warming as one metric ton of CO<sub>2</sub>. The L-W CSA would create two separate caps, one covering facilities that produce HFCs and the other covering facilities that:

- Use more that 5,000 tons of coal annually;
- Process, produce, or import natural gas;
- Produce or import petroleum or coal-based fuel that when combusted will emit a Group I GHG;
- Produce for sale or distribution or import more than 10,000 CO<sub>2</sub>e of chemicals that are Group I GHGs, assuming no capture or permanent sequestration;
- Emit as a by-product of HCFC production more than 10,000 CO<sub>2</sub>e of HFCs.

Overall, the two caps combined are expected to cover over 80% of total U.S. GHG emissions, although some process related emissions are not covered.

## **Targets**

The cap on facilities producing HFCs would start in 2010 at 300 MMTCO<sub>2</sub>e and decline to 90 MMTCO<sub>2</sub>e by 2037, remaining at that level through 2050. Emissions from all other covered facilities would be capped at 5775 MMTCO<sub>2</sub>e in 2012, with this cap decreasing annually to 1732 MMTCO<sub>2</sub>e in 2050. The two caps combined would result in roughly a 19% reduction from 2005 levels in 2020 and a 70% reduction from 2005 levels by 2050.

## **Allocation**

Beginning in 2012 and continuing through 2030, the L-W CSA would provide transition assistance in the form of free allowances to electric power generators (19%), manufacturers (10%), fuel producers or importers (2%), HFC producers and importers (2%), and rural electric cooperatives (1%). In addition, 5% of the total emission allowance account will be allocated to early actors from 2012-2017 and 4% for carbon, capture and sequestration activities from 2012-2030. Approximately 30.5% of the total allowance account will be set aside from 2012-2050 for other entities, including states, load-serving entities, farms and forests, coal mines, and others. Starting in 2012, 26.5% of allowances would be auctioned (including 5% for an early auction to be held shortly after enactment), with the proceeds going to energy technology deployment, low-and middle-income energy consumers, adaptation efforts in the U.S., and programs to support energy independence and national security. Over time, the auction will grow so that by 2031, 69.5% of the allowances would be auctioned and the revenue used for these purposes.

## Offsets and Cost Control

The L-W CSA allows covered facilities to satisfy up to 15% of their compliance obligation with specific domestic offsets. An additional 15% can be covered using international emission allowances. Unlimited banking is allowed and owners and operators of covered facilities can borrow up to 15% of their annual compliance obligation from future years. The L-W CSA also creates a Carbon Market Efficiency Board to monitor the carbon trading market and implement specific cost relief measures, including increased borrowing and use of offsets.

### International

The L-W CSA includes a review of the commitments of other major-emitting nations to reduce their GHG emissions. Eight years after enactment the President is authorized to require importers of GHG emission-intensive products from countries that have not taken action comparable to the U.S. to submit credits equal to those required of domestic manufactures.