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## US carbon markets

- Politics of US climate change policy
- Federal cap-and-trade going nowhere?
- Regional programs

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## Where the US stands

- US pledge to Copenhagen Accord, January 2010:
  - “in the range of 17%” reduction in US total greenhouse gases from 2005 levels by 2020, pending domestic climate and energy legislation
- Congress passed comprehensive climate change bill in the House of Representatives
  - “American Clean Energy and Security Act” (a.k.a. the “Waxman-Markey bill”)
  - Fall 2009-present: various Kerry bills aimed to become Senate counterpart (Kerry-Boxer, Kerry-Graham-Lieberman, Kerry-Lieberman)
  - Ongoing discussion in Senate, but time running out
  - Will have to start over in 2011
- Meanwhile, EPA gears up to regulate under Clean Air Act
- Regional cap-and-trade programs poised to move forward

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## Most frequent questions about US climate policy

- “Why didn’t/doesn’t the US just ratify the Kyoto Protocol?”
  - 2/3 majority of Senate required for international treaties
  - Byrd-Hagel Resolution
  - George Bush...
- “Why can’t the US Congress just pass a domestic cap-and-trade program? There have been so many proposals already...”
  - Takes both houses of Congress
  - Filibuster threat: Needs 60 votes in Senate rather than simple majority
  - Elections: climate is unpopular and interests are divided

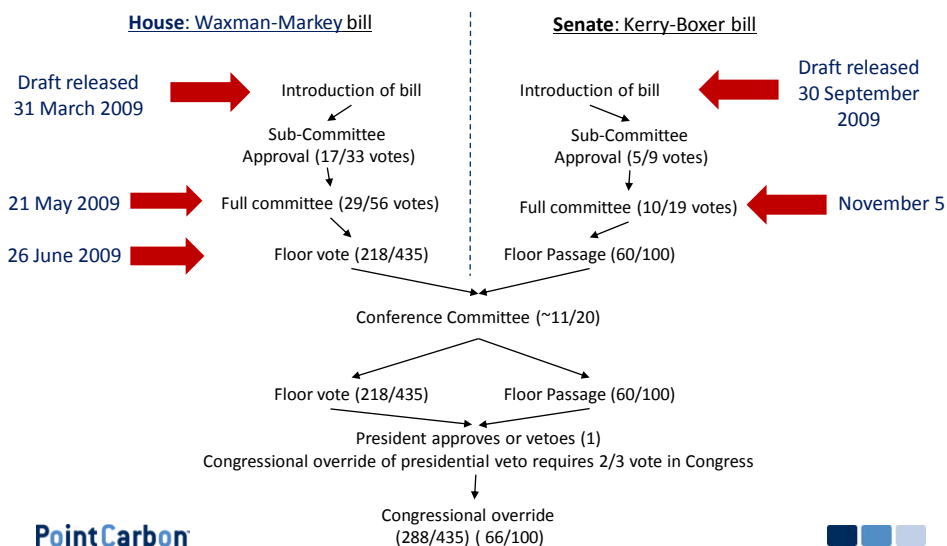
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## Recent history of path toward cap-and-trade



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## Senate bill drafts

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- Kerry (D-MA) and Lieberman (I-CT) released sector-by-sector proposal in May 2010
- Debate now leaning towards power-only cap (if anything)
- Senate may still debate and vote on a cap-and-trade bill before December, but probably not
  - Speaker won't bring it up unless he can get 60 votes
  - Votes in "lame duck session" unlikely
  - Start over in 2011?



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## Regional Carbon Markets in North America

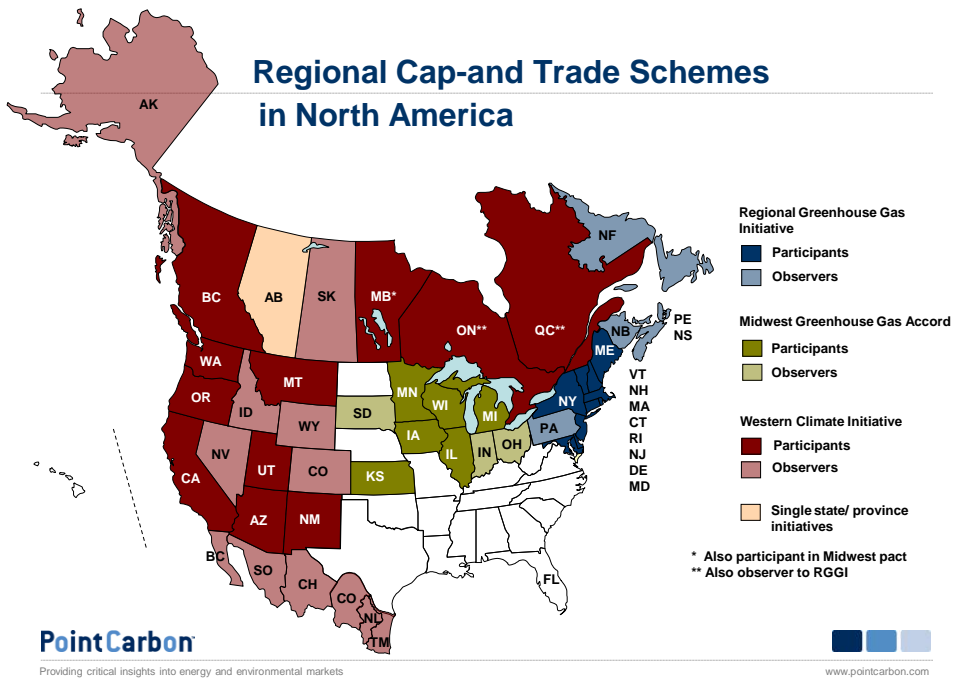
**The Regional Greenhouse Gas Initiative**  
**The Western Climate Initiative**  
**The Midwestern Greenhouse Gas Accord**

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## RGGI: Scope, Targets and Participants



- Market-based emissions trading system, began 1. Jan 2009
- size: ~188 m s/t (~9% of EU ETS)
- Goals:
  - Stabilize absolute emissions 2009 - 2014
  - 5% below 2005 by 2019 (-2.5%/year)
- Emissions measured in short tons (st) = (.9 metric ton)
- Observers: PA, DC, and Eastern Canadian Provinces

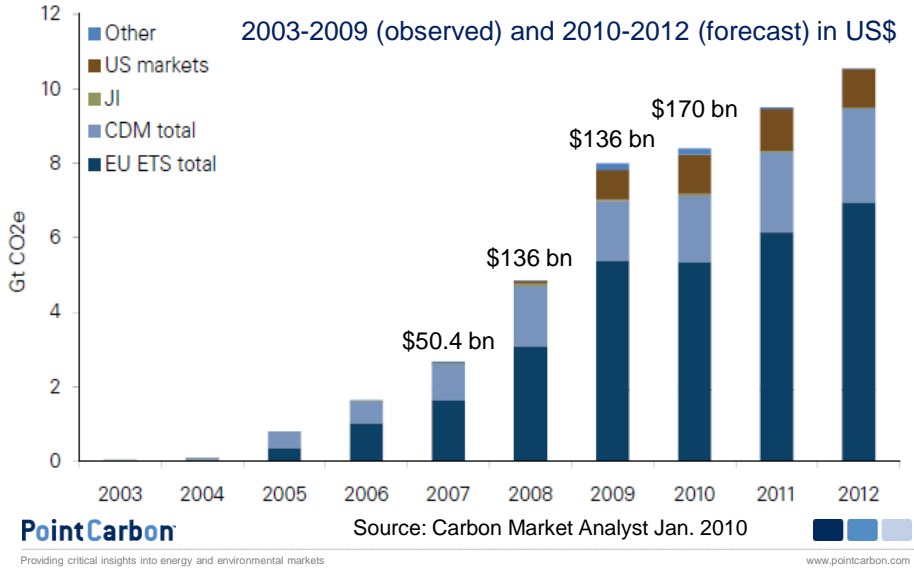
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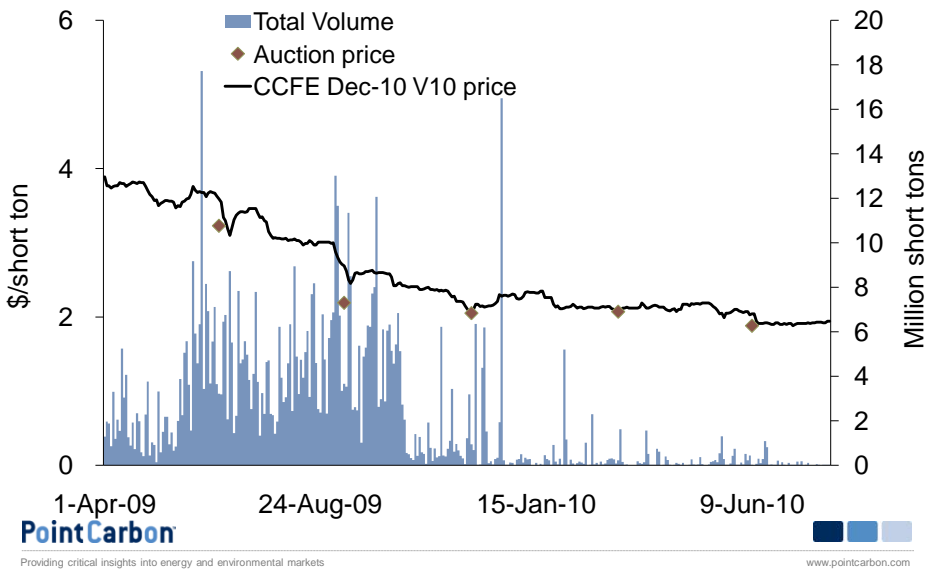


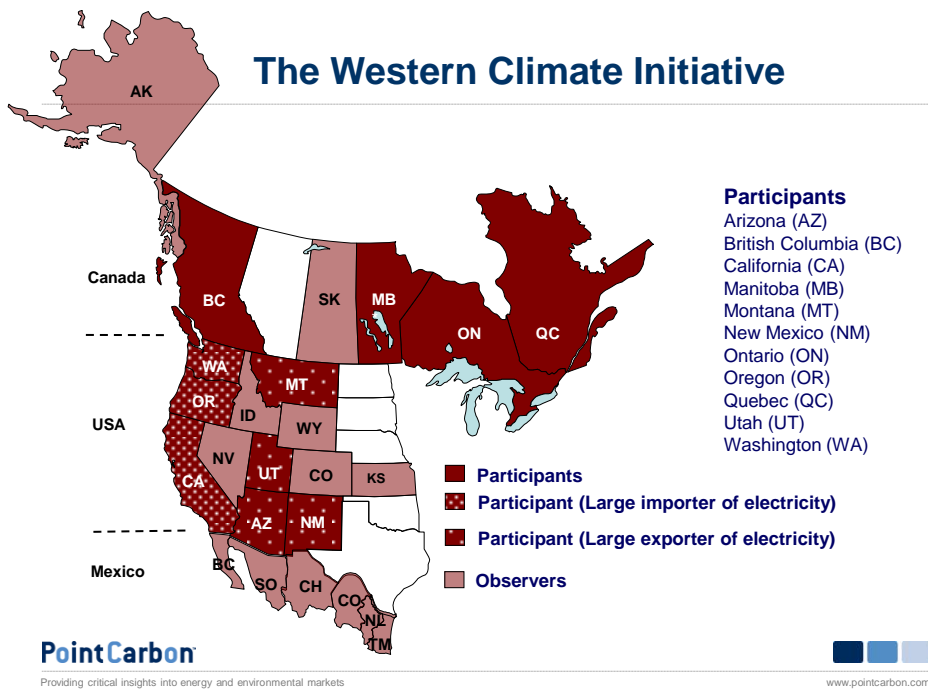
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## Carbon market growth

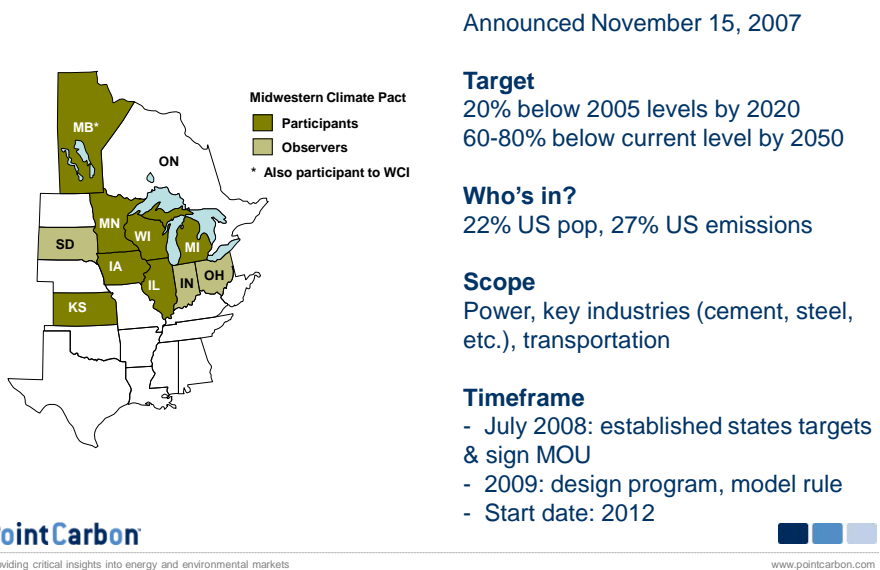


## RGGI prices and volumes





## The Midwestern Accord



## Linking Regional Trading Schemes

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- Provide greater carbon market liquidity
- Prevent manufacturers from moving across state lines to avoid regulation
- Certain policies must line up
  - Caps must be similar
  - How allowances are distributed can differ
- “Deal breakers”
  - Price cap or floor (one program’s price cap would act as price cap on all programs)
  - Federal pre-emption of regional programs
  - **WCI recently announced it could allow RGGI allowances**
  - **This could make the (otherwise stringent) WCI long from the start!**

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