

**Federal Climate Policy:  
The GHG Cap and Trade Program**  
(Waxman-Markey Discussion Draft of March 31)

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**Cap and Trade Program -  
Background**

- Meets long term science-based projections
- Significant flexibility for business
- Major input from USCAP
  - Business and Environmentalist Partnership

## Cap and Trade Program - Scope

- Electric utilities, oil companies, large industrial sources, and other covered entities
- Responsible for 85% of U.S. global warming emissions
- 25K tons and above of CO<sub>2</sub>e emissions

## Cap and Trade Program - Targets

- 3% below 2005 levels in 2012
  - Could be bigger except economic downturn could make easier
- 20% below 2005 levels in 2020
- 42% below 2005 levels in 2030
- 83% below 2005 levels in 2050

## **Cap and Trade Program - Offsets**

- **Up to 2 billion tons**
- **50-50 split between Domestic and International**

## **Cap and Trade Program – Banking and Borrowing**

- **Unlimited banking**
- **Rolling, 2 year average compliance period**
- **Limited borrowing from 2-5 year horizon**

## **Cap and Trade Program – Strategic Reserve**

- **2.5 Billion allowances created from small annual set aside.**
- **Auction if allowance price spikes and create new allowance with auction revenues**

## **Cap and Trade Program – Market Oversight**

- **FERC regulates cash market for allowances and offsets**
- **Oversight for derivatives market TBD**

## **Cap and Trade Program - Other**

- **Additional GHG Standards for non-covered sources**
  - HFCs and Carbon Black
- **CAA Exemptions**
  - GHG not regulated under NSR
  - Air Toxics or Criteria Pollutant rules

## **Cap and Trade Program**

**Stay Tuned**

**“Discussion” has already begun**