

# Climate Change Update

CIBO Environment Committee  
Meeting

December 10, 2008

# President-Elect Obama's Views on Climate Issues

- **Views climate change as high priority for his Administration**
- **Believes US should be a leader in taking action**
- **Supports comprehensive cap & trade program**
  - **80% reduction in GHGs by 2050**
  - **100% auctions from the start**
- **Would tie cap & trade to \$150 billion “green jobs” stimulus program**
- **Believes CO<sub>2</sub> is a “dangerous pollutant” that should be regulated under the Clean Air Act**
- **Supports related energy initiatives**
  - **25% national RPS by 2025**
  - **Increased RFS mandate to 60 billion gallons by 2030**

# ANPR Comments

- Industry comments: most totally opposed to regulation of GHGs under CAA; a few attempt to at least engage
  - AFPA in latter category:
    - Interconnection of CAA would prevent targeted action thru single program
    - CAA designed for local/regional pollutants
    - CAA programs highly inefficient/inflexible means for regulating GHGs
    - CAA stationary source programs will not effectively address climate change compared to comprehensive legislation
    - But, if EPA moves forward, some provisions more flexible than others

# ANPR Comments

- NACAA:
  - Supports use of CAA, particularly NSPS, mobile source provisions, limited NSR & Title V
  - Don't preempt state activities to reduce GHGs
  - NSPS for power plants, forest products, cement, iron & steel, refineries [industrial boilers covered under these categories?]
  - BACT for “large sources” of GHGs

# ANPR Comments

- **NRDC, Sierra Club, et al**
  - Integrate mobile source standards with LCFS
  - “legal duty” to set NSPS for new & existing sources
  - Existing source NSPS standards should =new
  - S. 111 standards based on “what may fairly be projected for the regulated future, rather than the state of the art at present”
  - Ratchet down NSPS every 8 years
  - Post-combustion capture for fossil fuel-fired industrial boilers
  - EPA can find “legally sound” ways to limit NSR/PSD exposure for smaller emitters
  - Opposes streamlined BACT for larger sources
  - Opposes NAAQS & MACT approaches
  - Silent on emission trading under NSPS (EDF supports)

# ANPR Comments

- **California & Connecticut Attorney Generals:**
  - **Climate change “most serious environmental challenge we have ever faced”**
  - **Can’t wait for Congressional action**
  - **Legal obligation to act**
  - **CAA has great track record of dealing with complex issues**
  - **Controls can be implemented in “cost-effective manner”**
  - **Grant California mobile source waiver, implement other mobile source standards, LCFS**
  - **Make endangerment finding immediately**
  - **NSPS for power plants, forest products, cement, iron & steel, refineries, etc**
  - **BACT for large stationary sources**

# ANPR Comments

- Florida DEP:
  - Supports immediate endangerment finding, California mobile source waiver, NSPS with regular updates
- Massachusetts Attorney General:
  - Statutory duty to regulate under the CAA
  - Endangerment not in doubt
  - NAAQS provisions can work; no problem with national nonattainment
  - Modeling & technical work for NAAQS could be done by EPA; set budget and let states figure out how to meet it
  - NSR/PSD concerns overblown

# ANPR Comments

- **State AG's et al (Ariz., Calif., Illinois, Iowa, MD, NJ, NY, Oreg., Wash., VT, Mayors of Minneapolis, SLC, Seattle, bunch of state environmental agencies):**
  - **Climate change “most serious environmental challenge we have ever faced”**
  - **Congress should pass legislation, but could take years, so EPA should act now**
  - **NSPS, BACT, mobile source controls, LCFS**
  - **CAA has “proven track record”**
  - **EPA has discretion to prioritize regulatory activities**



# GHG Reporting Rule

- According to Reid Harvey on 12/8/08:
  - Rule still at OMB
  - Several issues (why move forward, why not one-time report)
  - Expects rule to come out quickly under new Administration
  - If rule came out this year, some chance EPA could still have final rule by June 2009
  - Reality is that promulgation unlikely until end of 2009

# WCI Final Cap & Trade Design Principles

- **Program goal: 15% GHG emission reduction (from 2005 baseline) by 2020; 6 GHGs (CO<sub>2</sub>, methane, nitrous oxide, HFCs, PFCs, sulfur hexafluoride)**
- **Emission threshold for coverage: 25,000 tonnes/yr CO<sub>2</sub>e, subject to review**
- **Program coverage:**
  - **Industrial sources (process & combustion)**
  - **Electricity providers (1<sup>st</sup> jurisdictional deliverer); treatment of combined heat & power (CHP) TBD**
  - **Residential, commercial, industrial fuel use for sources below the threshold (2<sup>nd</sup> phase)**
  - **Transportation fuel combustion (2<sup>nd</sup> phase)**

# WCI Final Cap & Trade Design Principles (cont.)

- **Initial GHG emission cap based on “best estimate” of actual emissions expected in 2012; each state to determine**
- **Cap will decline each year, though sources will have a 3-year compliance period**
- **Individual source allowance allocations to be determined by states**
- **States must auction at least 10% of their allowances, with minimum rising to 25% in 2020; uncertain prospects for a price cap or safety valve**
- **Unclear what post-2020 program will look like**

# WCI Final Cap & Trade Design Principles (cont.)

- Early reduction allowances will be available for actions taken between 1/1/08 & 1/1/12
- Banking will be allowed
- Offsets can be used to cover up to 49% of total state emission reductions; not clear how this will work for sources. Sources “encouraged” to find offsets within WCI
- WCI states may address some sectors uniformly
- **Biofuel** combustion considered carbon neutral across WCI; **biomass combustion carbon neutrality to be determined by each state**

# WCI GHG Reporting

- Much of WCI's draft "essential requirements" come from the Climate Registry program & California's reporting rule
- Individual states will have responsibility for crafting their own reporting rules; efforts are under way in Oregon and Washington; Oregon's rules were finalized October 23-24

# WCI GHG Reporting (cont.)

- **WCI recommends a 10,000 tonne CO<sub>2</sub>e threshold**
- **Direct emissions only (to avoid double counting)**
- **Biofuels and biomass emissions should be reported, but separately**
- **For industrial sources, combustion, process, fugitive, and accidental GHG emissions must be reported**
- **Key decisions: reporting level (unit or facility), inclusion of de minimis reporting level, how to deal with CHP emissions**

# WCI GHG Reporting (cont.)

- **Mandatory measurement/monitoring to commence in January 2010**
- **Reporting to commence in “early 2011” for 2010 GHG emissions**
- **“In general, emissions data are not considered confidential”**
- **GHG emission quantification methods must be “rigorous”**
- **Third party verification of reported emissions will be required**
- **Measurement methods for GHG emissions from landfills & wastewater treatment plants TBD**

# MGA Cap & Trade Design Principles

- **Program goal: 15 to 25% GHG emission reduction (from 2005 baseline) by 2020, 60 to 80% by 2050; 6 GHGs (CO<sub>2</sub>, methane, nitrous oxide, HFCs, PFCs, sulfur hexafluoride)**
- **Emission threshold for coverage: 25,000 tonnes/yr CO<sub>2</sub>e, or 25MW nameplate capacity, subject to review**
- **Program coverage:**
  - **Industrial sources (process & combustion)**
  - **Electricity providers (1<sup>st</sup> jurisdictional deliverer); treatment of combined heat & power (CHP) not addressed (yet)**
  - **Residential, commercial, industrial fuel use for sources below the threshold may be included**
  - **Transportation fuel combustion may be included**



# MGA Cap & Trade Design Principles (cont.)

- **Initial 2012 GHG emission cap based on 2011 actual emissions (growth factor?); each state to determine consistent with MGA principles**
- **Cap will decline each year, though sources will have a 3-year compliance period**
- **Individual source allowance allocations to be determined by states**
- **Allowance allocation methods yet to be determined, though mixture of auctions and free allocations recommended; uncertain prospects for a price cap or safety valve**
- **Linkage with WCI, RGGI, EU, others**

# MGA Cap & Trade Design Principles (cont.)

- **Early reduction allowances will be available for actions taken between model rule release & 1/1/12; other early actions may get credit**
- **Banking will be allowed; limited borrowing**
- **Offsets can be used; limited to between 10 and 50% of required emission reductions; not clear how this will work for sources. Sources must use offsets from within MGA area initially; broadened over time**
- **MGA states to address sectors uniformly**
- **Biomass combustion carbon neutrality not addressed (yet)**

# MGA GHG Reporting

- **MGA recommends a 10,000 tonne CO<sub>2</sub>e or 25 MW reporting threshold; individual states may go lower**
- **Direct emissions only (to avoid double counting)**
- **Biomass emissions should be reported, but separately**
- **For industrial sources, combustion & process GHG emissions must be reported; ?fugitive and accidental?**
- **Key decisions: reporting level (unit or facility), inclusion of de minimis reporting level, how to deal with CHP emissions**

# MGA GHG Reporting (cont.)

- **Mandatory measurement/monitoring to commence in January 2010**
- **Reporting to commence in January 2011 for 2010 GHG emissions**
- **Confidentiality of emissions data not addressed**
- **GHG emission quantification methods not addressed**
- **Third party verification of reported emissions will be required unless not covered by cap & trade program**

# Dingell/Boucher “Discussion Draft”

- Comprehensive cap & trade bill covering ~88% of US GHG emissions
- Step-based glidepath, gentle at first: 6% below 2005 levels by 2020, 44% by 2030, 80% by 2050
- 4 options for allocations, but all have auctioning
- Federal preemption
- Performance standards for new industrial sources not covered by program; otherwise prohibition on regulating GHGs under the CAA