



United States Senate Committee on Energy & Natural Resources

Chairman Jeff Bingaman

Democrat - New Mexico

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BINGAMAN-SPECTER CLIMATE CHANGE BILL

Senators Jeff Bingaman (D-NM) and Arlen Specter (R-PA) today introduced bipartisan legislation designed to reduce U.S. greenhouse gas emissions while protecting the U.S. economy and interacting with key developing countries in their efforts to deal with the challenges of global warming. Original cosponsors include Sens. Tom Harkin (D-IA), Ted Stevens (R-AK), Lisa Murkowski (R-AK) and Daniel Akaka (D-HI).

The Low Carbon Economy Act of 2007 creates an economy-wide mandatory tradable-permits system that is modeled after the successful U.S. Acid Rain Program. By setting an annual target and allowing firms to buy, sell and trade credits to achieve that target, the program is designed to achieve the most cost-effective carbon reductions across the economy. The target and technology incentives are designed to avoid harm to the economy while promoting a gradual but decisive transition to new, lower-carbon technologies.

“There is a great desire in our country to address the global warming crisis,” Sen. Bingaman said. “I believe our legislation represents a strong and balanced approach. It will dramatically reduce U.S. greenhouse gas emissions while also spurring new energy technologies, protecting the American economy and engaging developing nations in their efforts to address climate change. It’s a bipartisan approach that strikes the right balance and would return the U.S. to a position of global leadership.”

Sen. Specter: “This legislation provides a deliberative and measured response to climate change. It brings together many interest groups in the fight against global warming, and I believe this is a bill that can be passed.”

Sen. Harkin: “A national policy to deal with greenhouse gas emissions and the climate must be a priority for America. I am proud to join Senator Bingaman in this effort and look forward to working with our Senate colleagues in formulating and passing strong climate change legislation this year.”

Sen. Stevens: "There is little doubt that Alaskans are feeling the effects of climate change more than anyone else in our nation. Regardless of whether these changes are caused solely by human activity, we must take steps to protect people in the Arctic. This bill would help accomplish that goal by taking a balanced and realistic approach which reduces carbon emissions without damaging our economy. In addition, this legislation would direct much-needed resources to Alaska to deal with the consequences of climate change."

Sen. Akaka: “There is no denying it, climate change is an enormous problem facing our environment, our economy, and our national security. It will affect every man, woman and child around the world in the years to come if action is not taken. As the world’s largest emitter for decades, the U.S. should take the lead and set an example by curbing our greenhouse gas emissions. I am committed to working with my colleagues to setting our country on a course that substantially reduces our emissions and combats the threats of climate change.”

Sen. Murkowski: “In Alaska we have been feeling the impacts of a warming climate for decades. The permafrost is melting, Arctic ice is disappearing and wildlife habitat is changing. It is responsible for us to take actions to reduce carbon emissions, as long as we can do it without harming our economy. By starting now with a program that funds and spurs technological research and development we can purchase an insurance policy against catastrophic climate effects at relatively little cost.”

The Low Carbon Economy Act is the product of a lengthy and open process. It reflects revisions of the Bingaman-Specter discussion draft on climate change, first circulated in January. That draft was the basis for hearings, analyses and extensive input from a broad range of stakeholders.

The environmental targets of the Act are to reduce U.S. greenhouse gas emissions (GHG) to 2006 levels by 2020 and 1990 levels by 2030. To limit economic uncertainty and price volatility, the government would allow firms to make a payment at a fixed price in lieu of submitting allowances. This “Technology Accelerator Payment” (TAP) price starts at \$12

per metric ton of CO₂-equivalent in the first year of the program and rises steadily each year thereafter at 5 percent above the rate of inflation. If technology improves rapidly and if additional policies such as fuel efficiency standards and a renewable electricity standard are adopted, the TAP option will never be engaged. Conversely, if technology improves less rapidly than expected and program costs exceed predictions, companies could make a payment into the “Energy Technology Deployment Fund” at the TAP price, to cover a portion or their entire allowance submission requirement.

Under the Act, GHG emissions from petroleum and natural gas are regulated “upstream” – that is, at or close to the point of fuel production. For these fuels, regulated entities are required to submit tradable allowances equal to the carbon content of fuels produced or processed at their facilities. GHG emissions from coal are regulated “downstream” at the point of fuel consumption. Regulated entities that must submit allowances include petroleum refineries, natural gas processing plants, fossil fuel importers, large coal-consuming facilities and producers/importers of non-CO₂ GHGs.

The proposal sets out a detailed methodology for distributing tradable emission allowances. At the beginning of the program, a majority of allowances are given out for free to the private sector. This amount is gradually reduced each year after the first five years of the program. In addition, 8 percent of allowances will be set aside annually to create incentives for carbon capture and storage and jump-start these critical technologies. Twenty-four percent of total allowances will be auctioned by the government to generate much-needed revenue for research, development and deployment of low- and no-carbon technologies, to provide for climate change adaptation measures and to provide assistance to low income households. Five percent of allowances are reserved to promote agricultural sequestration, and 1 percent of the allowances will reward companies that have undertaken “early actions” to reduce emissions before program implementation. Another 9 percent of the allowances are to be distributed directly to States, which can use associated revenues at their discretion to address regional impacts, promote technology or energy efficiency and enhance energy security.

To effectively engage developing countries, the Low Carbon Economy Act would fund joint research and development partnerships and technology transfer programs similar to the Asia Pacific Partnership. The bill also calls for a Five-Year Review Process that requires a reassessment of domestic action in light of efforts by our major U.S. trade partners (and relevant scientific and technological developments). If there is sufficient international progress in reducing greenhouse gas emissions, the President could

recommend changes in the U.S. program designed to achieve further reductions that are at least 60 percent below current levels by 2050. If other countries are deemed to be making inadequate efforts, starting in 2020 the President could require importers from such countries to submit special emission allowances (from a separate reserve pool) to cover the carbon content of certain products.

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