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COMMODITY MARKETS COUNCIL

Policy Discussion: Legislative Issues

Carbon Trading

Overview

Carbon-trading legislation has momentum in the Senate, but is struggling in the House. The Warner-Lieberman bill in the Senate is the leading piece of legislation and would require companies to get or buy allowances starting in 2012 to release certain amounts of carbon dioxide or other greenhouse gases. The number of emission allowances would gradually decrease by 70 percent by 2050. Some agricultural organizations oppose the bill citing concerns it would idle valuable acres.

Political Outlook

Sen. Barbara Boxer (D-CA) is committed to moving the Warner-Lieberman bill by June, but presidential politics will likely dictate the track this bill follows in 2008. Global warming advocates may opt to scrap the bill for a more aggressive piece in 2009 if it looks like either a Democrat or Sen. John McCain (R-AZ) is the likely winner in the presidential race.

On the House side, Speaker Nancy Pelosi (D-CA) has voiced her support for moving carbon-trading legislation this year. Rep. John Dingell (D-MI), chairman of the House Energy & Commerce Committee, is not excited about it and he is a critical player. No committee hearings are currently scheduled and any House bill would be under the jurisdiction of multiple committees.

Industry Support

American Farm Bureau Federation

AFBF supports *voluntary* carbon-trading system and opposes carbon taxes. AFBF also believes that greenhouse gas emissions from agriculture should be exempt from any cap-and-trade system.

National Cattlemen's Beef Association

Cattlemen believe that cattle producers will benefit from the emission allowance because much of it goes to carbon sequestration. They are concerned, however, about the requirement that a certain level of greenhouse gas reduction must come from mitigating emissions of nitrous oxide and methane.

Legislation Summary: Warner-Lieberman (America's Climate Security Act of 2007)

- The EPA will establish a greenhouse gas (GHG) registry and a GHG emission allowance transfer system for covered facilities. Sets forth emission allowances for 2012-2050, with a declining cap.
- Allows the selling, exchanging, transferring, submitting, retiring, or borrowing of emission allowances and establishes a domestic offset program to sequester GHGs in agriculture and forests.
- Creates the Carbon Market Efficiency Board to report the national GHG emission market and provide cost relief measures if it determines that the market poses significant harm to the U.S. economy.
- Provides for the distribution of emission allowances, including giving allowances to: (1) operators of covered facilities; (2) states; (3) load-serving entities that deliver electricity to retail consumers; (4) the Secretary of Agriculture to reduce GHG emissions in the agriculture and forestry; (5) international forest protection activities; and (6) the Emission Allowance Account for covered facilities in the electric power and industrial sectors.
- Establishes the Climate Change Credit Corporation to auction emission allowances.