

DRAFT CLIMATE CHANGE BILL RELEASED

On March 31, the House of Representatives released a draft climate change bill, entitled “*The American Clean Energy and Security Act of 2009*,” that promises to create millions of new clean energy jobs, save consumers hundreds of billions in energy costs, promote America’s energy independence, and cut global warming pollution.

Title III of draft bill contains the global warming reduction provisions. Title III establishes a market-based program for reducing greenhouse gas (GHG) emissions from those responsible for 85% of those emissions (electric utilities, oil companies, large industrial sources and covered entities that emit 25,000 tons per year or more of CO₂ equivalent). Highlights of Title III of the draft bill include the following:

- The draft bill establishes target reductions from covered entities to reduce GHG emission from 2005 levels by 3% in 2012, 20% in 2020, 42% in 2030 and 83% in 2050.
- The draft bill direct EPA to achieve additional reduction in GHG emissions by entering into agreements to prevent international deforestation.
- The draft allows covered entities to increase their emissions above their allowances if they can obtain offsets at lower costs from other sources.
- The draft bill allows unlimited banking of allowances for use during future years, and establishes a rolling 2-year compliance periods to allow covered entities to borrow from one year ahead without penalty.
- The draft direct EPA to create a “strategic reserve” by setting aside a small number of allowances to be issued each year in case prices rise faster than expected, where the allowances from the reserve will be available through an auction.
- The draft directs EPA to set emission standards are sources that are not covered by the allowances system, and creates special programs to reduce emissions of hydrofluorocarbons (HFCs) and black carbon.
- The draft bill provides for Clean Air Act (CAA) exemptions, specifically that CO₂ and other GHG emissions may not be regulated as criteria pollutants or HAPS and that New Source Review (NSR) does not apply to these global warming pollutants.