


CLA Memorandum

April 12, 2007

TO: Honorable Members
Intergovernmental Relations Committee

FROM: Gerry F. Miller 
Chief Legislative Analyst

Assignment No. 07-02-0354
Council File No. 07-0002-S42

SUBJECT: Resolution (Perry-Carednas) which would support the establishment of a market-driven system of greenhouse gas tradable allowances that will limit greenhouse gas emissions in the United States.

CLA RECOMMENDATION: That the City ADOPT the attached Resolution (Perry-Cardenas), that will include in the City's 2007-2008 Federal Legislative Program SUPPORT of HR 620 (Olver), the Climate Stewardship Act of 2007, which will accelerate the reduction of greenhouse gas emissions in the United States by establishing a market-driven system of greenhouse gas tradable allowances that will limit greenhouse gas emissions in the United States, reduce dependence upon foreign oil, and ensure benefits to consumers from the trading in such allowances.

SUMMARY

The attached Resolution (Perry-Cardenas) is in support of HR 620 (Olver), the Climate Stewardship Act of 2007. HR 620 aims to accelerate the reduction of greenhouse gas emissions in the United States by establishing a market-driven system of greenhouse gas tradable allowances that will limit greenhouse gas emissions in the United States, reduce dependence upon foreign oil, and ensure benefits to consumers from trading in such allowances.

The bill would specifically establish a greenhouse gas emissions allowance trading scheme, which would establish an overall cap on greenhouse gas emissions in the United States that would be progressively reduced in the following manner:

Year	Emissions Cap (in millions of metric tons)
2011	6,150
2019	5,232
2029	3,858
2049	1,504

In order to establish the emissions allowance trading scheme, the bill would specifically require the Environmental Protection Agency (EPA) to establish an inventory of greenhouse gas emissions by power-generating, industrial and commercial entities, and a registry of greenhouse gas emission reductions and increased sequestration applicable to all entities. Once the inventory and registry are established, entities in the electric power, industrial, and commercial sectors will be required to submit to the EPA one tradable allowance for every metric ton of greenhouse gasses that they emit. Those that fail to submit tradable allowances will be fined a civil penalty

equal to three-times the market value of tradable allowances that would be necessary for the failing entity to meet its submission requirements.

The bill includes additional provisions to provide financial support for technologies, incentives for greenhouse gas emission reductions, and the restoration of habitat to help fish and wildlife adapt to climate change. The bill also contains provisions requiring the Director of the Office of Science and Technology to develop and report on regional infrastructure cost assessments of the impacts of climate change and the Secretary of Commerce to submit a climate change adaptation plan to Congress and to include research on the impact of climate change on low-income populations world-wide.

H.R. 620 was introduced by Congressman John Olver (D – MA) on January 22, 2007, and has been referred to Energy and Commerce, Science and Technology, and Natural Resources committees. The bill has not yet been heard by any committee.

DISCUSSION

Critics of emissions-allowance-trading systems argue that emissions trading does little to solve pollution problems overall, as groups that do not pollute sell their conservation to the highest bidder.

Proponents of the bill, however, argue that HR 620 sets enforceable, science-based goals to reduce the nation's greenhouse gas emissions from major sources, that the bill gives industry five years to prepare, and begins in 2012 with a requirement that they return their emission levels to recent 2004 levels, thus reversing the current trend of increasing emissions. They point to the gradual reduction of the total number of allowances as an effective strategy to reduce overall greenhouse gas emissions.

Similar emissions-trading schemes have proved successful in the past; the Acid Rain Program of the 1990 Clean Air Act is expected to reduce Sulfur Dioxide emissions by 50% from 1980 to 2010, and some experts argue that the Acid Rain Program's cap-and-trade system has reduced the cost of controlling acid rain by as much as 80%.

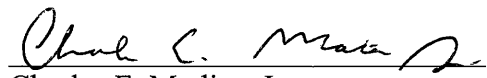
DEPARTMENTS AFFECTED: Department of Water and Power

STATUS OF LEGISLATION

HR 620

Intro. 1/22/2007

Pending Hearings in Energy and Commerce, Science and Technology, and Natural Resources Cmtes.


Charles E. Modica, Jr.
Analyst

Attachments:

- (1) Resolution (Perry-Cardenas)
- (2) HR 620

INTERGOVERNMENTAL
RELATIONS FEB 27 2007

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, State, or Federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, recent studies have demonstrated that greenhouse gas emissions have significant and detrimental effects on the global environment and climate, and that minimizing greenhouse gas emissions is an important part of mitigating those detrimental effects; and

WHEREAS, Massachusetts Congressman John Olver recently introduced H.R. 620, the Climate Stewardship Act of 2007, which proposes to accelerate the reduction of greenhouse gas emissions in the United States by establishing a market-driven system of greenhouse gas tradable allowances; and

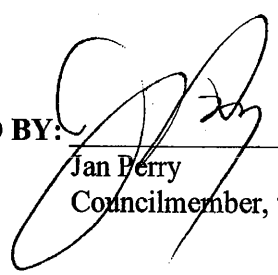
WHEREAS, the cost of controlling greenhouse gas emissions varies dramatically among industries in the United States, and an allowance trading program should encourage the private sector to efficiently find low-cost emission reduction opportunities; and

WHEREAS, an emissions allowance trading system would provide strong incentives to those industries to look for new and innovative ways to control their greenhouse gas emissions; and

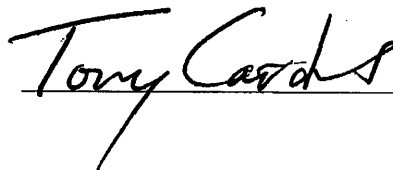
WHEREAS, H.R. 620 would cap overall greenhouse gas emissions at 6,150 million metric tons by 2011, and ultimately reduce that emissions cap to 1,504 million metric tons by 2049, and thereby significantly reduce overall greenhouse gas emissions in the United States by over 75 percent.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2007-2008 Federal Legislative Program SUPPORT of H.R. 620, the Climate Stewardship Act of 2007, which would accelerate the reduction of greenhouse gas emissions in the United States by establishing a market-driven system of greenhouse gas tradable allowances that will limit greenhouse gas emissions in the United States, reduce dependence upon foreign oil, and ensure benefits to consumers from the trading in such allowances.

PRESENTED BY: _____


Jan Perry
Councilmember, 9th District

SECONDED BY: _____



07-0002-542
EGG

FEB 27 2007 

110TH CONGRESS
1ST SESSION

H. R. 620

To accelerate the reduction of greenhouse gas emissions in the United States by establishing a market-driven system of greenhouse gas tradeable allowances that will limit greenhouse gas emissions in the United States, reduce dependence upon foreign oil, and ensure benefits to consumers from the trading in such allowances, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 2007

Mr. OLVER (for himself, Mr. GILCHREST, Mr. INSLEE, Mr. WALSH of New York, Mr. CUMMINGS, Mr. KIRK, Ms. SOLIS, Mr. CASTLE, Mr. HINCHEY, Mr. SILAYS, Ms. HARMAN, Mr. SAXTON, Mr. DICKS, Ms. MCCOLLUM of Minnesota, Ms. DEGETTE, Mr. THOMPSON of California, Mr. CARDOZA, and Mr. HARE) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Science and Technology and Natural Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To accelerate the reduction of greenhouse gas emissions in the United States by establishing a market-driven system of greenhouse gas tradeable allowances that will limit greenhouse gas emissions in the United States, reduce dependence upon foreign oil, and ensure benefits to consumers from the trading in such allowances, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Climate Stewardship
5 Act of 2007”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.

TITLE I—MARKET TO REDUCE GREENHOUSE GAS EMISSIONS

Subtitle A—Tracking Emissions

- Sec. 101. National Greenhouse Gas Database and registry established.
- Sec. 102. Inventory of greenhouse gas emissions for covered entities.
- Sec. 103. Greenhouse gas reduction registration.
- Sec. 104. Measurement and verification.

Subtitle B—Mandating Emission Reductions

- Sec. 121. Covered entities must submit allowances for emissions.
- Sec. 122. Compliance.
- Sec. 123. Exemption of source categories.
- Sec. 124. Establishment of tradeable allowances.
- Sec. 125. Penalties.

Subtitle C—Controlling Compliance Costs

- Sec. 141. Trading.
- Sec. 142. Banking.
- Sec. 143. Borrowing against future reductions.
- Sec. 144. Domestic offsets.
- Sec. 145. International credits plan.

Subtitle D—Establishment and Allocation of Tradeable Allowances

- Sec. 161. Determination of tradeable allowance allocations.
- Sec. 162. Provision of tradeable allowances.
- Sec. 163. Ensuring target adequacy.
- Sec. 164. Initial allocations for early participation and accelerated participation.
- Sec. 165. Bonus for accelerated participation.

TITLE II—CLIMATE CHANGE CREDIT CORPORATION

- Sec. 201. Establishment.
- Sec. 202. Purposes and functions.

TITLE III—MISCELLANEOUS

Sec. 301. NOAA report on climate change effects; preparation assistance.

Sec. 302. Adaptation technologies.

Sec. 303. Mitigating climate change's impacts on the poor.

Sec. 304. Wildlife conservation.

1 **SEC. 3. DEFINITIONS.**

2 In this Act:

3 (1) ADMINISTRATOR.—The term “Adminis-
4 trator” means the Administrator of the Environ-
5 mental Protection Agency.

6 (2) BASELINE.—The term “baseline” means
7 the historic greenhouse gas emission levels of an en-
8 tity, as adjusted upward by the Administrator to re-
9 flect actual reductions that are verified in accord-
10 ance with—

11 (A) regulations promulgated under section
12 101(c)(1); and

13 (B) relevant standards and methods devel-
14 oped under this Act.

15 (3) CARBON DIOXIDE EQUIVALENTS.—The term
16 “carbon dioxide equivalents” means, for each green-
17 house gas, the amount of each such greenhouse gas
18 that makes the same contribution to global warming
19 as one metric ton of carbon dioxide, as determined
20 by the Administrator.

21 (4) COVERED SECTORS.—The term “covered
22 sectors” means the electric power, transportation,