

# North American Carbon Markets: Opportunities and Challenges

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Climate Policy Coherence in North America  
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# Opportunities

- Significant opportunities for collaboration across U.S., Canada and Mexico
- GHG offsets are one important potential link
- International offsets can be win-win

# U.S. Legislative Update

- Bill reported out of E&C Committee on May 21<sup>st</sup> as “Amendment in the Nature of a Substitute”
- On hold while Committee Leadership in House address concerns of agriculture sector
- Not currently on House floor schedule

# Looking Ahead in the Senate

- Senate leadership currently meeting with stakeholder groups
- Expecting a bill anytime now
  - Will be heavily modeled on HR 2454
- Offsets likely to be an important and contentious issue

# HR 2454 and Regional Programs

- Prohibits states from running cap-and-trade programs from enactment through 2017
  - Only applies to GHG regulation (not LCFS other areas of authority)
  - CA, RGGI allowances recognized
- States are permitted to require federal allowances for compliance with state air quality regulations

# Limits

- System level limit set at 2 billion tons per year
  - Can be adjusted by president
- firm-level limits
  - vary by year, e.g. 30% in 2013, ~65% in 2050
- Discount applies to int. credits only after 2017
  - 1.25 offset credits for every 1 allowance
- 50/50 on int. and domestic
  - Administrator can adjust up to .5 dom/1.5 int. if less than 900 million domestic tons in system

# HR 2454 International Offsets

- Sectoral crediting agreements
- Project-based issued by approved international body (e.g. UNFCCC, CDM)
- Offsets from reduced deforestation
  - National, province or state, project-based baselines
- All require bilateral, multilateral agreement

# Conclusion

- Things are still expected to change considerably between now and house floor vote
- Offsets present a unique opportunity for regions, state and provinces to play an important role in climate policy
- Coordination and cooperation will be necessary



# Thank You!

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