

Summary Presentation

JPAC Conference on Climate Policy Coherence for North America

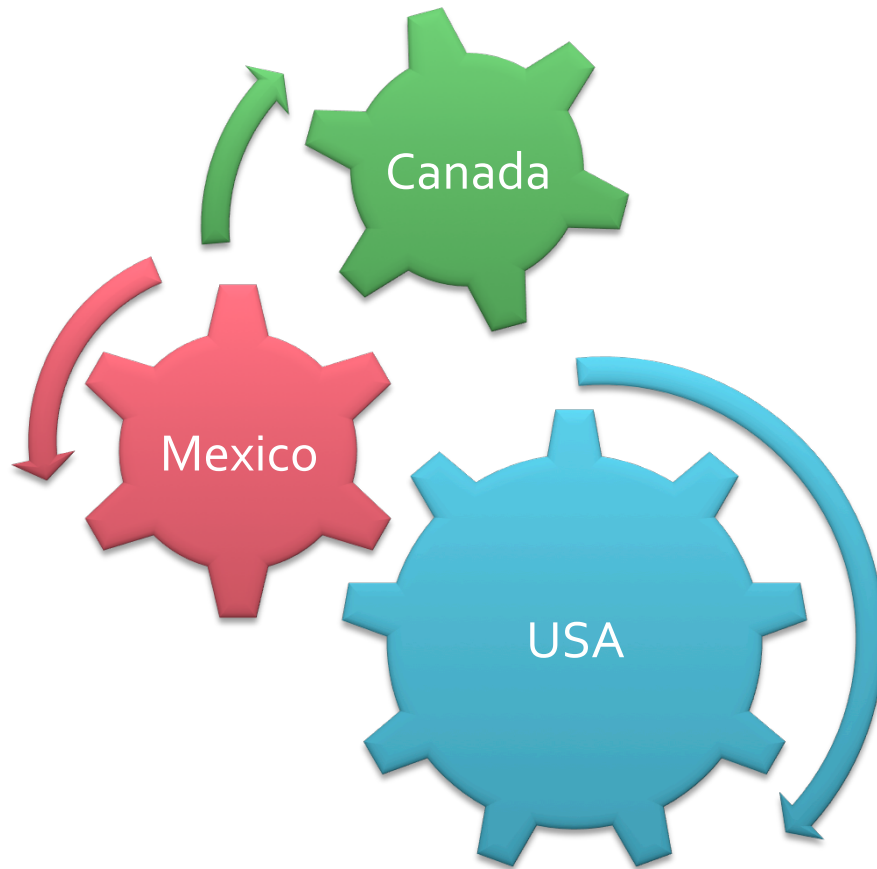
Thomas D. Peterson

Center for Climate Strategies

June 22, 2009

# **North American Policy Landscape for Climate Change**

# North American Cooperation



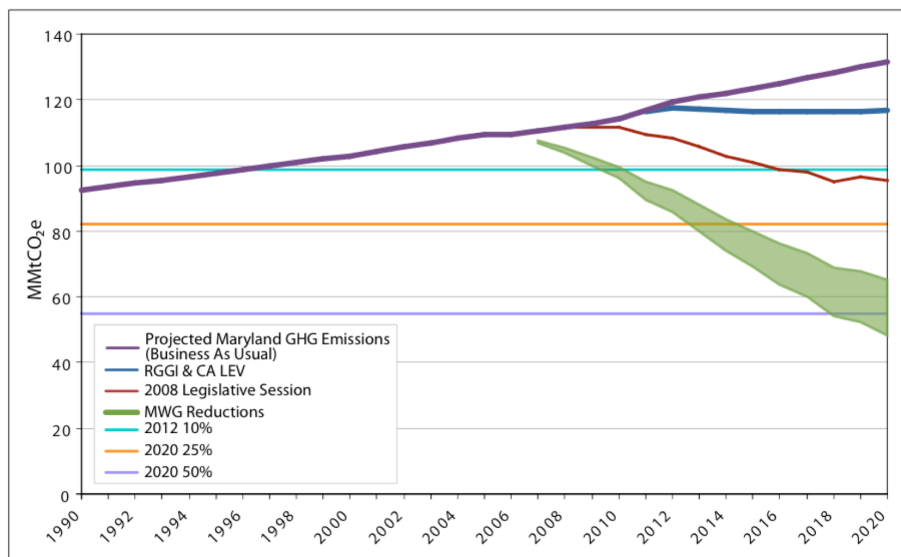
- Canada, Mexico, USA
  - Potential for action
  - Preferred future actions
  - Existing and planned actions
  - Lessons learned
  - Economic issues
  - Current efforts to expand action
  - Barriers to new actions
  - Key opportunities
  - Potential outcomes

# Policy Landscape

- Sub federal and federal
- Unilateral, bilateral, trilateral, multilateral
- Targets
- Policies
  - Cap and trade, carbon tax
  - Sector based policies and measures
  - Projects (CDM and others)
- Governance

# Growing Confidence in Action

GHG Reduction Potential from Maryland's Recent and Proposed Actions



1. Emissions baselines
2. Recent and planned actions
3. New policy actions, goals

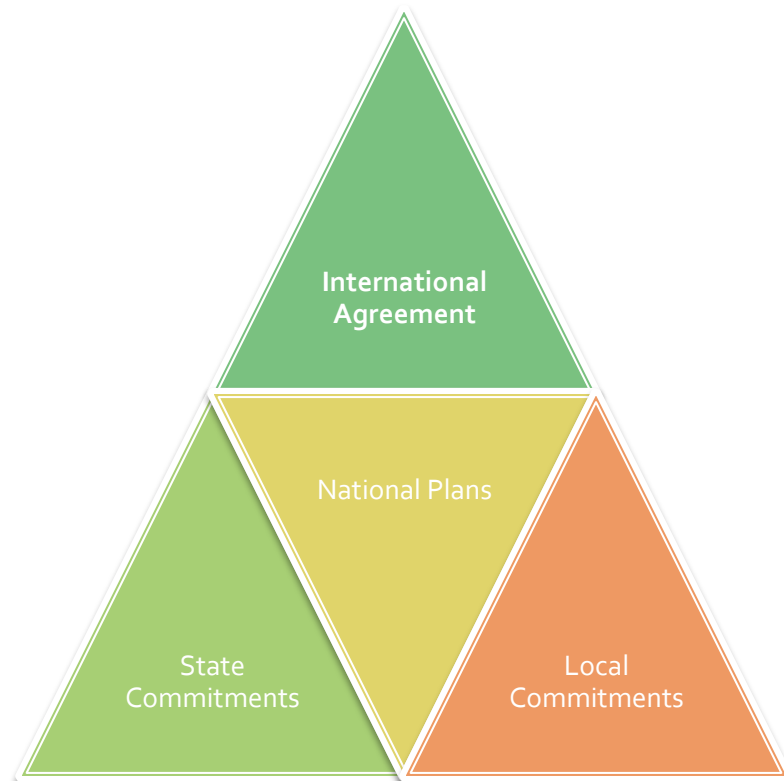


# Sub Federal Actions

## STATUS AND VALUE

- Major emphasis in NAM
- Strong impact on federal policy and vice versa
- Current levels of action vary but all are trending upward
  - State provincial plans
  - Regional agreements
  - Sector based measures
  - Cap and trade and or carbon tax
- Standards or rigor and actual results may vary

## GLOBAL SIGNIFICANCE



# Federal Actions

- Agreement that:
  - All NAM nations need comprehensive national policies that attain targets
  - Some commonality of architecture is needed to facilitate trading, reciprocation, alignment, verification
  - All NAM nations expect to move predominantly through unilateral action
  - Impact of pending USA actions could be pivotal

# Contingent Actions

- Bilateral action
  - China-USA key
- Trilateral action for NAM
  - Sequencing leans toward federal actions first with some early parallel actions and exchanges
- Multilateral actions
  - China-USA relationship key
  - Copenhagen likely to be stage setting and paralleled
  - Key early commitments likely by all NAM nations to signal unilateral willingness
  - Trade issues are important

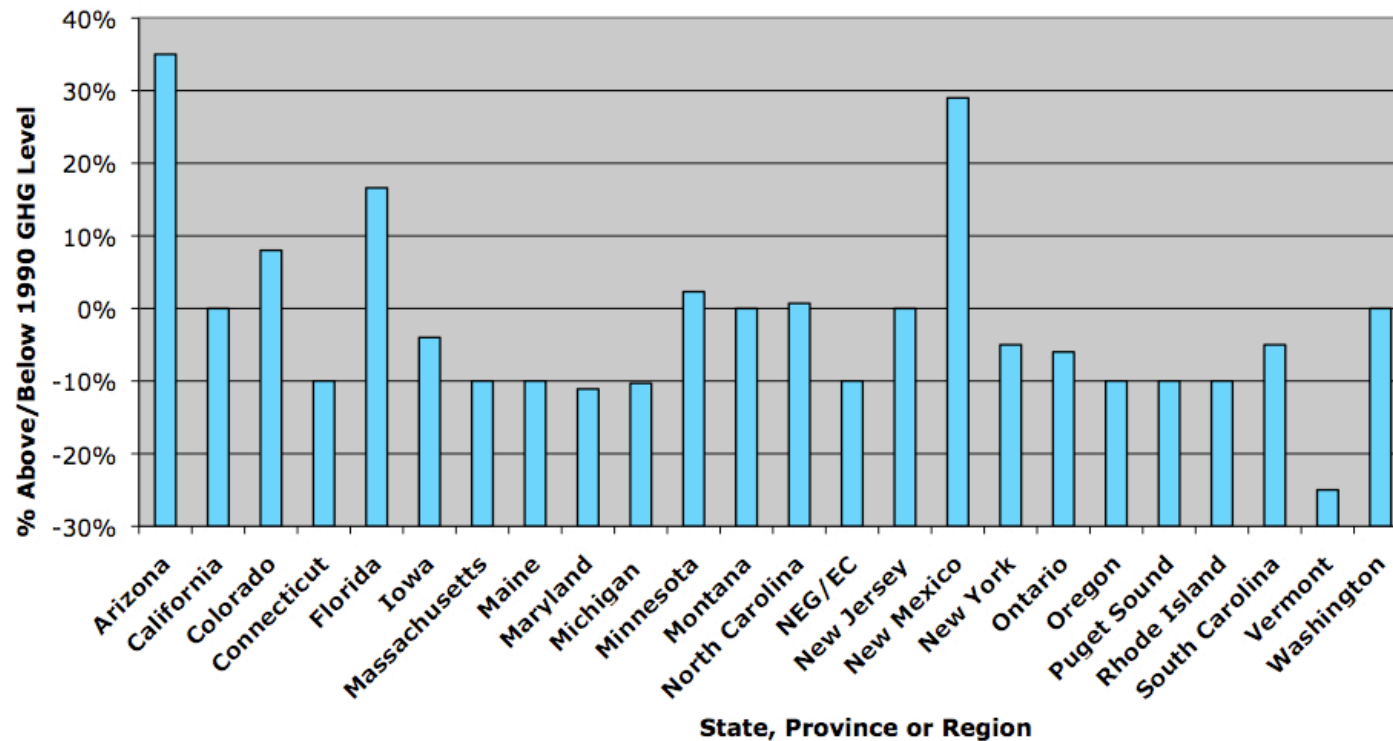
# Targets

- Agreement in concept
  - Quantified targets and timetables are needed
  - Must not be rhetorical
  - Short and long term stabilization based
  - Common but differentiated
  - Levels and attainment methods not entirely clear but appear to be converging
- Economic impacts need to be cleared up
- Competitiveness issues need resolution



# Common But Differentiated

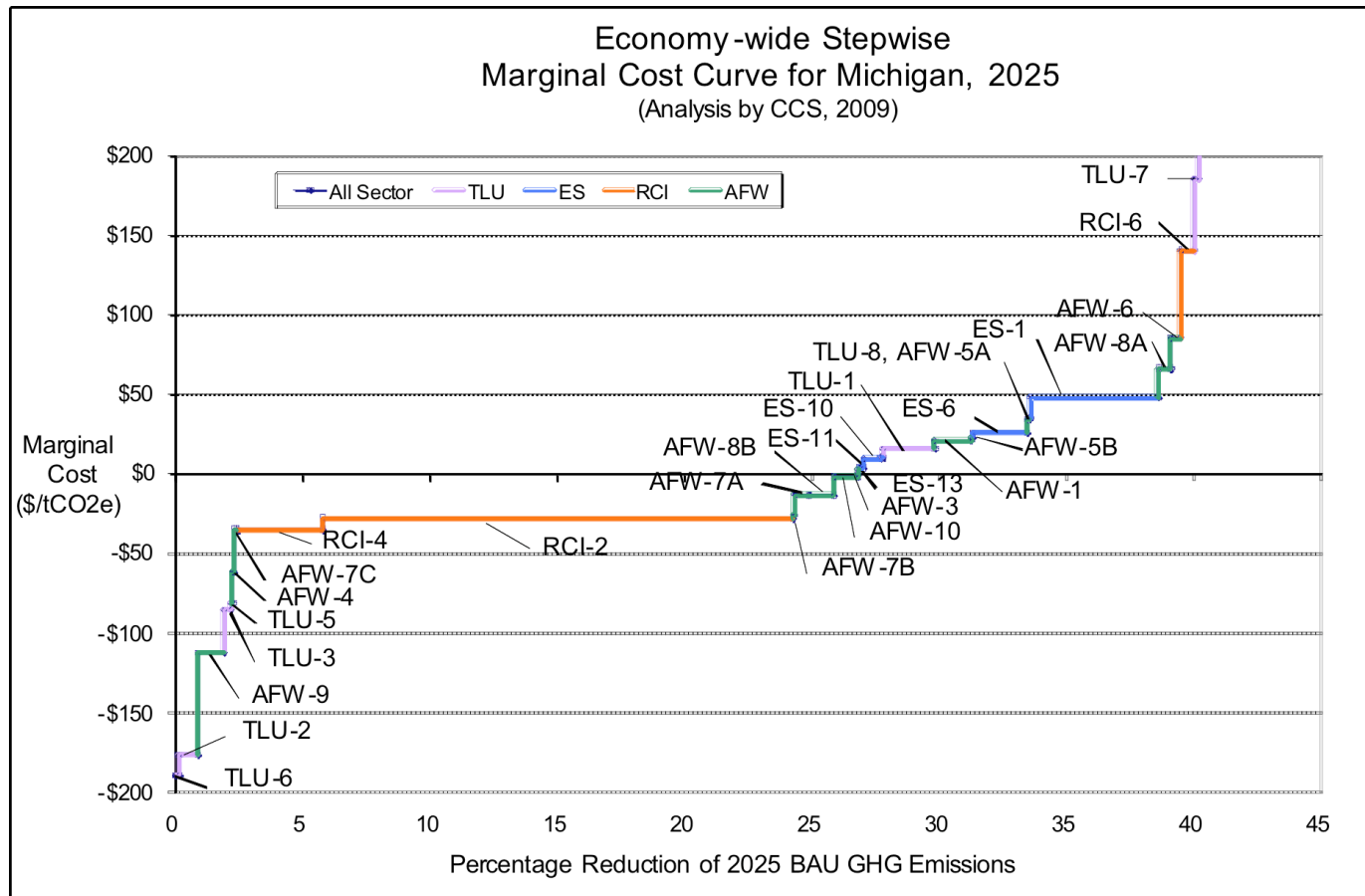
State 2020 Reduction Targets in 1990 Levels (CCS, 2009)



# Economic Issues

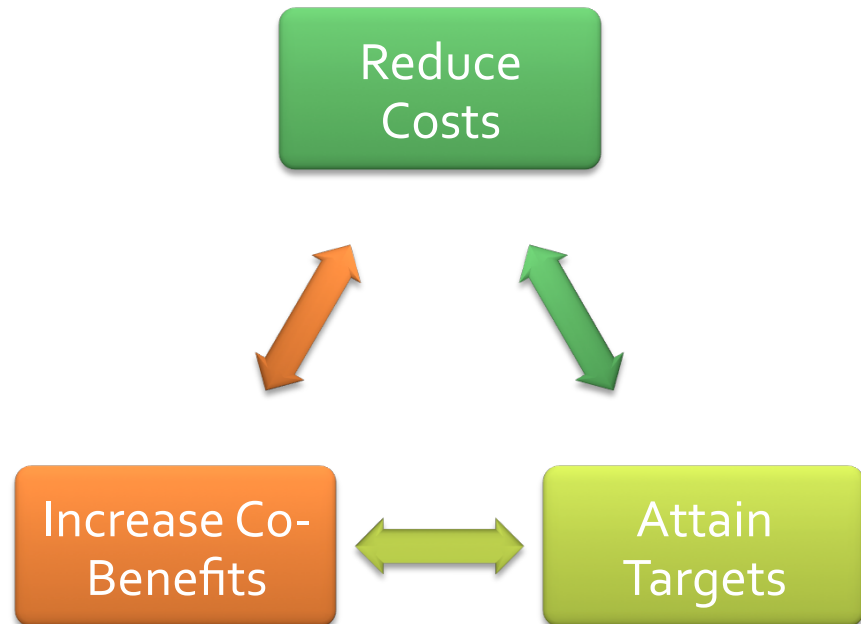
- Cost of attainment
  - Driven by different perspectives on methods and potential for cost savings
  - Varies by nation based on level of existing and planned actions, composition of policy portfolio
  - Evolution toward stakeholder involvement to reach determinations, build consensus
  - Evolution toward potential for beneficial outcomes through smart policy

# Marginal Cost/Savings Curves



# Comprehensive Climate Policy

- Combines policy instruments and actions
- Creates price signals
- Removes non price barriers
- Enables all economic sectors and levels of government
- Expands flexibility, choice
- Targets economic development, energy gains, consumer needs

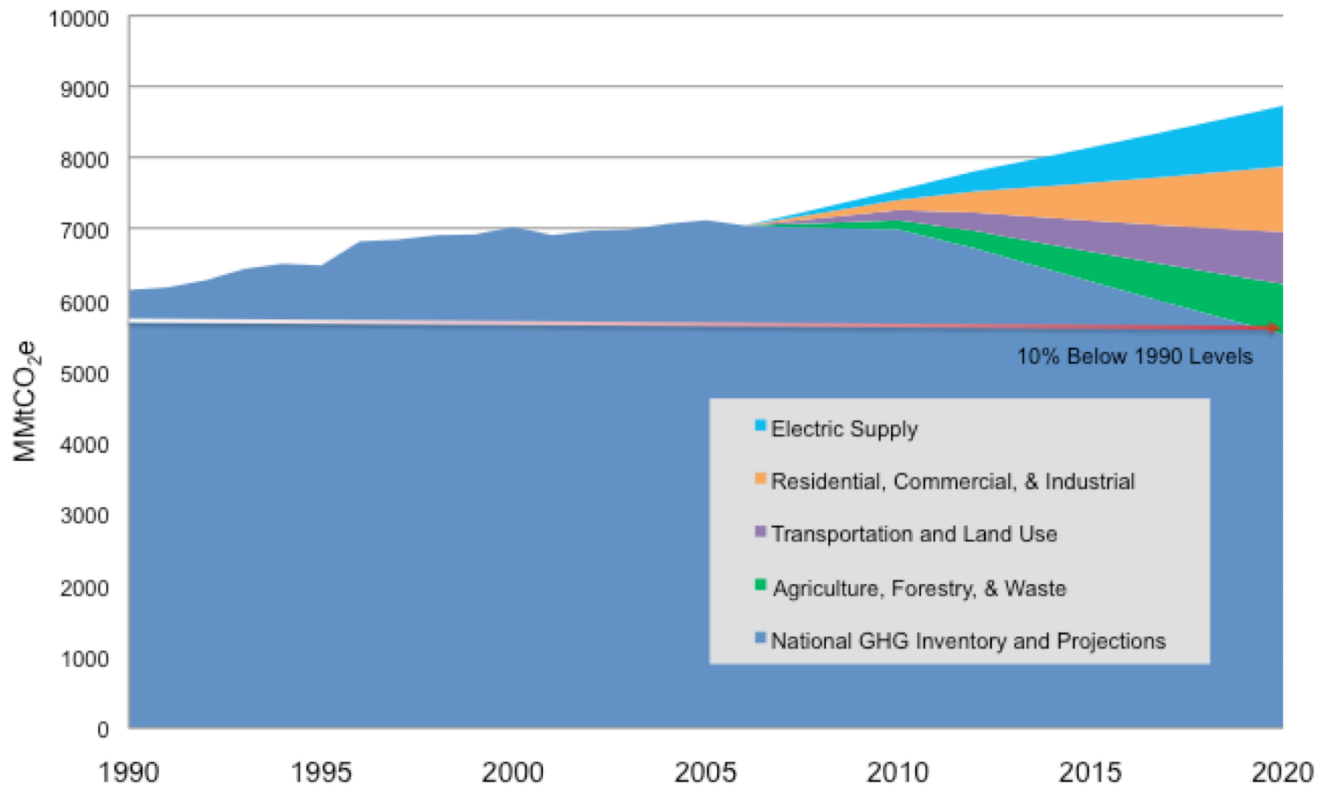


# Policies and Measures

- Sub Federal actions provide extensive roadmaps, results, benchmarks, flexibility
  - Base of known current actions is high
  - Cost effectiveness well documented and understood
  - Co-benefits options and potential high
  - Non price instruments can cut cost of price instruments
  - High levels of political consensus for adoption
- Barriers to actual adoption are high in some cases
  - Institutional reform (authority)
  - Funding (outlays, investment)

# Mitigation Policy Portfolio

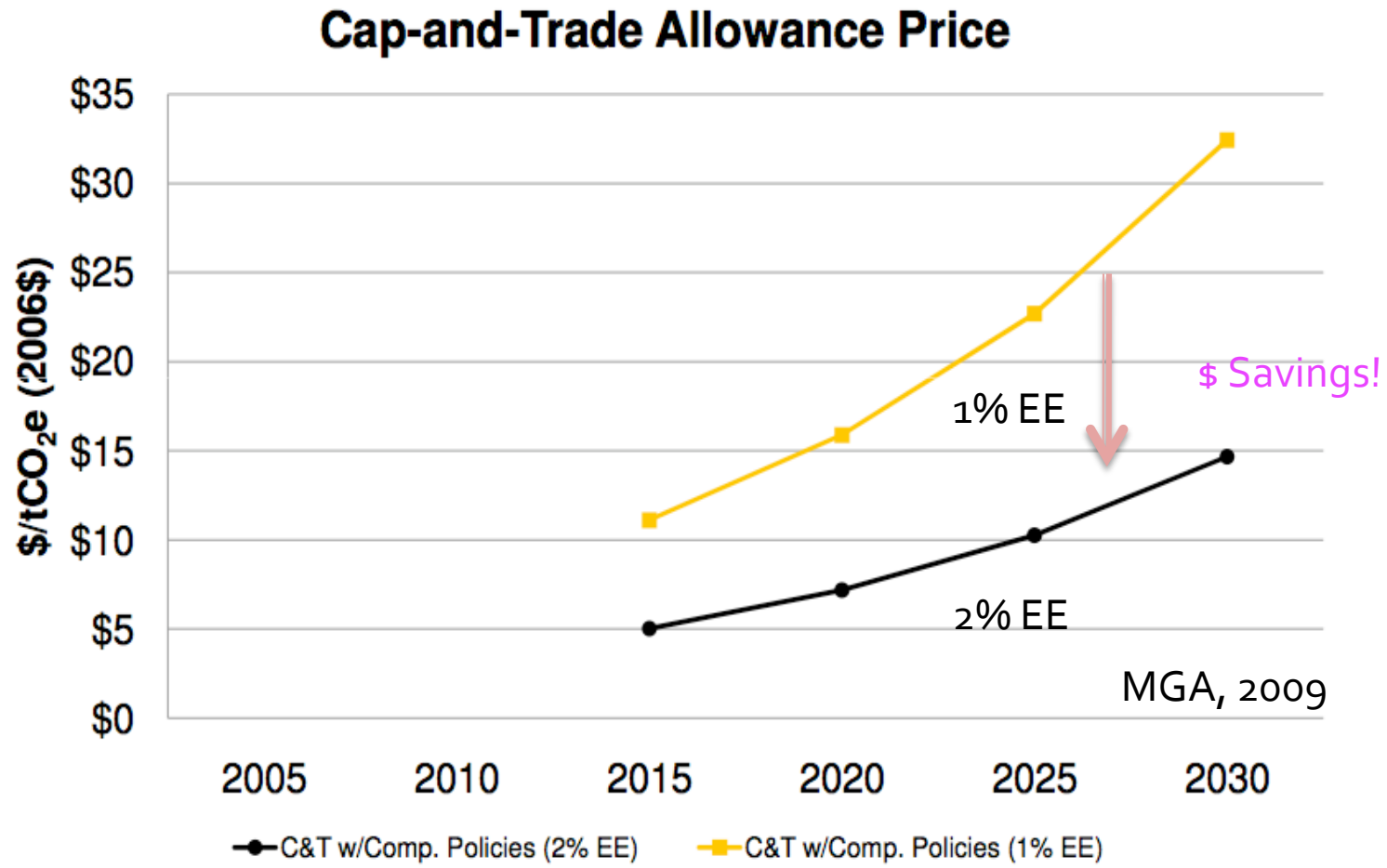
Economy-wide Greenhouse Gas Reduction Potential of United States  
(Includes Recent and Planned Actions)  
Center for Climate Strategies, 2008



# Cap and Trade

- Presumed to be primary policy at the federal level for all NAM nations
- Presumed to be economically necessary
- Expected to provide authority, investment
- Cost impacts still uncertain and a barrier to adoption
- Policy design appears to be converging
- Interactions with policies and measures paramount
- Project side (offsets, CDM) experiences very mixed

# Allowance Cost Reduction





# Projects

- Experience with CDM
  - Successful in some areas; project proliferation
  - Virtually no participation in transportation, forest protection; political and structural barriers remain
- Expectations for Offsets
  - Hopeful that a robust market will emerge
  - Concerned that it will be small size and structurally deficient

# Governance

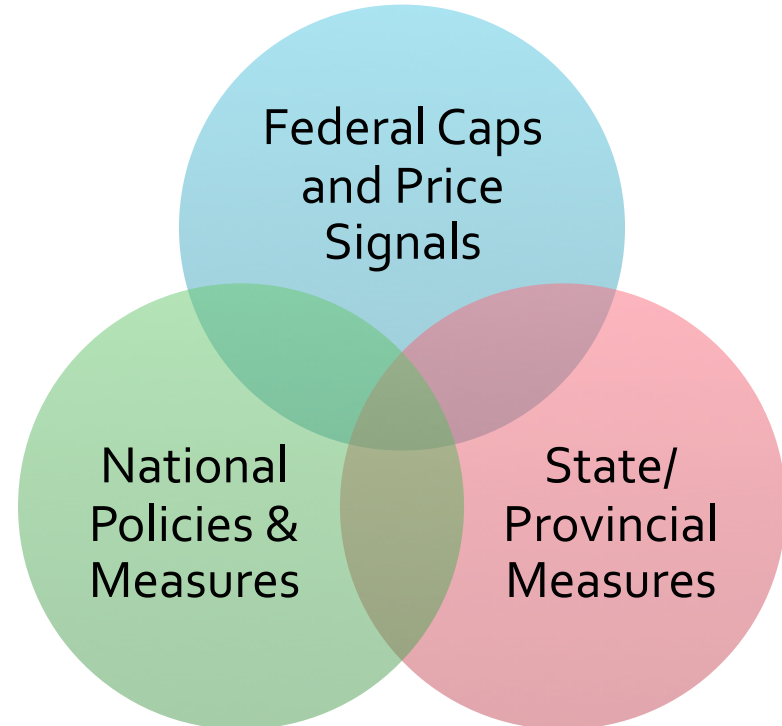
- Sub Federal – Federal relationships critical
  - National governance varies significantly
- Complexity of issue will test each nation's system of government
  - New pathways will be needed
  - Existing templates and structures will be critical
- Highly integrative structures inevitable
- Public private relationships must evolve

# Comprehensive Climate Policy

## POLICY NEEDS

- Achieve GHG Targets
- Minimize costs
- Maximize savings
- Maximize co-benefits
- Maximize consensus
- Address governance
- Maximize implementation

## SOLUTIONS



# Takeaways

- Status quo will not endure much longer
- Economic and energy restructuring is inevitable
- Climate imperatives are growing
- Solutions have advanced light years
- Attitudes are changing but need leadership
- Political institutions are catching up, slowly
- Transitions are not smooth
- Recession effects are significant, hard to predict
- Information will be a valuable currency under all scenarios and circumstances