

Summary of The Lieberman-McCain Climate Stewardship Act (As debated in the U.S. Senate on October 30, 2003)

On October 30, 2003, Senators Joseph I. Lieberman (D-CT) and John McCain (R-AZ) brought a revised version of their Climate Stewardship Act of 2003 (S.139) to a vote in the United States Senate. While the measure failed by a vote of 43 to 55, the vote demonstrated growing bipartisan support for a genuine climate change policy.

The revised version of the bill would require the Administrator of the EPA to promulgate regulations to limit the greenhouse gas (GHG) emissions from the electricity generation, transportation, industrial, and commercial economic sectors (as defined by EPA's *Inventory of U.S. Greenhouse Gas Emissions and Sinks*). The affected sectors accounted for approximately 85% of the overall U.S. emissions in the year 2000. The bill also would provide for the trading of emissions allowances and reductions through a National Greenhouse Gas Database which would contain an inventory of emissions and registry of reductions.

Target: The bill would cap the 2010 aggregate emissions level for the covered sectors at the 2000 level. The bill's emissions limits would not apply to the agricultural and the residential sectors. Certain subsectors would be exempt if the Administrator determined that it was not feasible to measure their GHG emissions. The Commerce Department would biennially re-evaluate the level of allowances to determine whether it was consistent with the objective of the United Nation's Framework Convention on Climate Change of stabilizing GHG emissions at a level that will prevent dangerous anthropogenic interference with the climate system.

Allowances: An entity that was in a covered sector, or that produced or imported synthetic GHGs, would be subject to the requirements of this bill if it (a) owned at least one facility that annually emitted more than 10,000 metric tons of GHGs (measured in units of carbon dioxide equivalents – MTCO₂E); (b) produced or imported petroleum products used for transportation that, when combusted, would emit more than 10,000 MTCO₂E; or (c) produced or imported HFC, PFC and SF₆ that, when used, would emit more than 10,000 MTCO₂E. Each covered entity would be required to submit to the EPA one tradeable allowance for each MTCO₂E directly emitted. Each petroleum refiner or importer would be required to submit an allowance for each unit of petroleum product sold that, when combusted, would emit one MTCO₂E. Each producer or importer of HFC, PFC, and SF₆ would be required to submit an allowance for each unit sold that, when used, would emit one MTCO₂E. The Administrator would determine the method of calculating the amount of GHG emissions associated with combustion of petroleum products and use of HFC, PFC, and SF₆.

Allocation of Allowances: The Secretary of Commerce would determine the amount of allowances to be given away or "grandfathered" to covered entities and the amount to be auctioned. The Secretary's determination would be subject to a number of allocation factors identified in the bill. Proceeds from the auction would be used to reduce energy costs of consumers and assist disproportionately affected workers.

Flexibility Mechanisms: Covered entities would have flexibility in acquiring their allowances. In addition to the allowances grandfathered to them, covered entities could trade with other covered entities to acquire additional allowances, if necessary. Also, any entity would be allowed to satisfy up to 15% of its total allowance requirements by submitting (a) tradeable allowances from another nation's market in GHGs; (b) a net increase in sequestration registered with the National Greenhouse Gas Database established by the bill; (c) a GHG emission reduction by a non-covered entity registered with the Database; and (d) allowances borrowed against future reductions (as described below). A covered entity that agreed to emit no more than its 1990 levels by 2010 would be allowed meet up to 20% of its requirement through (a) international credits, (b) sequestration, and (c) registered reductions, but not (d) borrowed credits. An entity

planning to make capital investments or deploy technologies within the next 5 years would be allowed to borrow against the expected GHG emission reductions to meet current year requirements. The loan would include a 10 percent interest rate.

National Greenhouse Gas Database: The EPA Administrator would be required to implement a comprehensive system for GHG reporting, inventorying, and reductions registrations. Covered entities would be required to report their GHG emissions and non-covered entities would be allowed to register GHG emission reductions and sequestration. The National Greenhouse Gas Database would be, to the maximum extent possible, complete, transparent, accurate, and designed to minimize costs incurred by entities in measuring and reporting emissions. The Commerce Department, within one year of enactment, would be required to establish, by rule, measurement and verification standards and standards to ensure a consistent and accurate record of GHG emissions, emissions reductions, sequestration, and atmospheric concentrations for use in the registry.

Penalty: Any covered entity not meeting its emissions limits would be fined for each ton of GHGs over the limit at the rate of three times the market value of a ton of GHG.

Research: The bill would establish a scholarship program at the National Science Foundation for students studying climate change. The bill would also require the Commerce Department to report on technology transfer and on the impact of the Kyoto Protocol on the U.S. industrial competitiveness and international scientific cooperation.

The bill also would make changes to the U.S. Global Change Research Program, establish an abrupt climate change research program at the Commerce Department, and establish a program at the National Institute of Standards and Technology in the areas of standards and measurement technologies.