

The Boxer Substitute to the Lieberman-Warner Bill

Senator Barbara Boxer (D-CA), Environment and Public Works Committee Chair, introduced S. 3036, a substitute amendment to the Lieberman-Warner Climate Security Act (S. 2191), on May 21, 2008. At the start of Senate debate on the Climate Security Act during the week of June 2, 2008, Sen. Boxer also proposed a virtually identical substitute, S. 4825, which became the subject of consideration. The Climate Security Act is the first comprehensive bill containing an economy-wide carbon cap to be passed by a committee of Congress. If passed by the full Congress, the bill would make a significant contribution towards reducing the U.S. pollution that contributes to global warming.

The key similarities and differences between the original Climate Security Act and the Boxer substitute are outlined below.

Q: What hasn't changed from the original Lieberman-Warner bill?

A: The emission caps and target dates have not changed. The substitute still cuts U.S. global warming pollution from the same covered sectors to 2005 levels by 2012, around 15% below 2005 levels by 2020, and 70% below 2005 levels by 2050. These caps are compatible with what scientists say is necessary to begin reversing global warming.¹ The bill maintains the innovative cap-and-trade approach to reducing emissions, with added cost-saving mechanisms that offer compliance flexibility for businesses.

Also, the secondary purposes of the bill remain intact – to grow a new clean energy economy and protect American consumers and workers from economic impact. The substitute retains a significant commitment to bringing lower carbon technologies to market as soon as possible, including renewable energy, advanced vehicle technologies, and advanced coal burning techniques like carbon capture and sequestration. At the same time, revenues are directed to consumers to help with increased energy costs, especially those most vulnerable, and to preparing impacted American workers for transition.

Q: How does the substitute differ from the original Lieberman-Warner bill?

A: Sen. Boxer has made some significant structural changes to the bill, primarily adding increased flexibility for business and extra protections for the American people and overall economy. The biggest changes fall into five categories:

- 1) *Greatly expanded consumer assistance:* The substitute creates a massive new fund totaling over \$800 billion through 2050 for providing tax cuts to consumers to offset increased energy costs. This is in addition to over \$900 billion that local electricity and natural gas distribution companies will distribute as energy bill rebates to low- and middle-income people and small businesses, and to promote low-carbon energy and energy efficiency.
- 2) *Cost containment mechanism added:* The substitute creates a separate cost containment auction. The auction is available to covered entities and begins at a price to be determined by the President, between \$22-30 per ton of carbon, to escalate annually. Six billion

allowances would be taken from the 2030-2050 compliance period with portions available each year thru 2027 for purchase. Companies would benefit from purchasing these allowances if the regular market price of carbon rises above the cost containment sale price. Proceeds from the auction would fund greenhouse gas reductions in uncovered sectors as well as consumer assistance.

- 3) *Increased flexibility for international offsets*: The substitute allows companies to satisfy their emission requirements with:
- 15% domestic offsets
 - 5% project-specific international offsets
 - 10% international deforestation credits

Not only can companies now meet a portion of their compliance obligations with specific project-based offsets, such as Clean Development Mechanism projects under the Kyoto Protocol (some of the cheapest available), but they can also make up for any unused domestic offsets with additional international projects.

- 4) *Changes in funding*: The most noteworthy changes to the bill's incentives and economic assistance include:
- a) Overall funding for carbon capture and sequestration (CCS) has decreased. The new program is designed to build 5-10 CCS power plants with more plants receiving fewer funds. A revised CCS bonus account, however, should incentivize many more plants resulting in lower costs.
 - b) There are now four dedicated streams of money for improving energy efficiency in: buildings, equipment and appliances, manufacturing, and funding for energy efficiency block grants to communities. Together, these funds could amount to over \$280 billion through 2050.
 - c) A new fund has been dedicated for adaptation assistance for U.S. states and tribes, funds that presumably could be used for building levees, rebuilding bridges, moving villages, and more. This equals \$250 billion through 2050.
 - d) A new fund directs \$250 billion in economic assistance through 2050 to states that rely heavily on coal and manufacturing.
- 5) *Deficit reduction fund added*: A percent of all revenue is directed to the Treasury to prevent growth in the federal deficit.

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¹ The Intergovernmental Panel on Climate Change has concluded that stabilizing atmospheric greenhouse gas concentrations at roughly 450-500 parts per million would require a 50-85% reduction in global carbon dioxide emissions by 2050 (compared to 2000 levels). This level of reduction should limit global temperature rise to a range of 2–2.4°C above pre-industrial levels.