



3. CLIMATE: House Dems pitch 'training wheels' approach for carbon trading (03/24/2009)

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More than 20 House Democrats introduced "training wheels" global warming legislation yesterday aimed at averting price volatility in the early years of a new carbon market.

Reps. Lloyd Doggett (D-Texas) and Jim Cooper (D-Tenn.) are lead authors on a **bill** they hope will be attached to a larger climate cap-and-trade measure expected to move through the House this summer.

The Doggett-Cooper approach would establish a new independent board tasked with determining the annual prices per ton for carbon dioxide allowances during the first eight years of emissions trading, from 2012 to 2019. During that time, the Treasury Department would conduct quarterly allowance auctions designed to maintain this price.

The board -- composed of six climate experts and the heads of U.S. EPA and the Energy and Treasury departments -- will also review and adjust the carbon price annually, as needed, to make sure the program stays on track to meet the cap-and-trade program's emission targets.

Speaking on the House floor yesterday, Doggett said his bill responds to concerns over speculation in fossil fuel and financial markets, as well as warnings from commodity experts that a new market often experiences price volatility. "Just as a child removes training wheels after becoming comfortable cycling, as young swimmers start in the shallow end of the pool before moving to the deep end, so too after we gain experience over this first eight years before we can move to a more traditional cap-and-trade system," Doggett said.

Support for the Doggett-Cooper bill comes from several interest groups working on the global warming issue, including the Center for Clean Air Policy, National Venture Capital Association and Friends of the Earth.

Several members of the fiscally conservative House Blue Dog Coalition also cosponsored the bill, including Rep. Heath Shuler (D-N.C.).

"The test for any of these things is does it meet the environmental goals and will it bring along some members who have otherwise been uncomfortable supporting climate change into the tent?" said Marty Spitzer, director of legislative affairs at CCAP. "If it does that, then it's definitely worth thinking about."

But David Hunter, director of U.S. climate policy at the International Emissions Trading Association, said he had concerns with the Doggett-Cooper bill, specifically the idea of allowing a government-appointed board to pick the price of carbon credits, rather than the marketplace. "The question is can the board get the price right?" Hunter said. "I don't think businesses will have a lot of confidence that the board will get the numbers right."

Hunter also warned that the United States would miss its emission reduction cap if the board picked an incorrect price. "If we don't make our environmental targets, we'll make it more difficult for business in future years to then accomplish the reductions necessary," he added.

Doggett's bill will be referred to the House Ways and Means Committee, which plans a hearing on price volatility issues Thursday. But it is still unclear how the House's chief tax writing panel will address the cap-and-trade issue and whether it will act on its own climate bill or wait to mark up pieces of a bill that House Energy and Commerce Chairman Henry Waxman (D-Calif.) says will move before Memorial Day.

Both Rangel and Waxman have pledged to work together on the climate issue, but they have not yet offered firm details about how that will work. Doggett yesterday said he wants House Speaker Nancy Pelosi (D-Calif.) to bring the House committee chairmen together to coordinate on a one-bill strategy just like she did last week on health care. "I believe we need to do the same in order to resolve global warming," Doggett said.

Pelosi spokesman Drew Hammill responded, "The speaker hopes to meet with the relevant committee chairs in the near future."

To be sure, the Doggett-Cooper approach will be competing against several other cost-containment proposals. Rep. Ed Markey (D-Mass.), for example, introduced climate legislation last summer with a provision that allowed companies to bank away an unlimited amount of their emission credits for future use.

Reps. John Dingell (D-Mich.) and Rick Boucher (D-Va.) co-authored a proposal last fall that would have established a special auction of "strategic reserve" allowances for companies if greenhouse gas market prices hit a to-be-determined level. And labor unions and some industries like the idea of a "safety valve," which puts an absolute ceiling on the price of an emission allowance, because it gives them a better sense of the potential costs of the expected multibillion-dollar climate policy.

Waxman has not said yet which approach he prefers. His spokesman did not respond to requests for comment on the Doggett-Cooper bill.

Cosponsors are: Reps. Mike Thompson, Pete Stark, Linda Sanchez and Sam Farr of California; Earl Blumenauer of Oregon; John Lewis of Georgia; Shelly Berkley of Nevada; John Yarmuth of Kentucky; Robert Brady and Chaka Fattah of Pennsylvania; Shuler of North Carolina; Stephen Cohen of Tennessee; Henry Johnson of Georgia; Elijah Cummings of Maryland; Steven Rothman and Albio Sires of New Jersey; Jerrold Nadler, Yvette Clarke and Gary Ackerman of New York; and Eddie Bernice Johnson of Texas.

Cooper, Shuler and Thompson are all members of the Blue Dog Coalition.

[Click here](#) for the Doggett-Cooper bill.