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## New US bill aims to fix carbon price path

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Two members of the US House of Representatives have introduced a bill that aims to safeguard a federal cap-and-trade programme from price volatility and market manipulation by establishing a price path for carbon allowances.

Lloyd Doggett, a member of the House ways and means committee, and Jim Cooper, a co-author of the 1990 acid rain cap-and-trade system, introduced the Safe Markets Development Act (H.R.1666) on Monday. This legislation, if adopted, would require an independent board to establish an annual allowance price path for Phase I (2012-19) of a federal emissions cap-and-trade system, with the goal of meeting annual and cumulative emission reduction targets.

Quarterly auctions would be held to maintain this price. Every year, the board would review the emissions performance for the previous year and adjust its price projections, if needed, to ensure that the emissions reductions trend path is in line to achieve the 2020 target. President Barack Obama has pledged to return US greenhouse gas emissions to 1990 levels by 2020.

Beginning in 2020, Phase II reverts to a more traditional cap-and-trade approach with annual emissions caps.

**“This bill will meet our environmental goals, create predictable prices and prevent market manipulation and excess speculation in the early years of a cap-and-trade programme,” said Ned Helme, president of the Washington-based Center for Clean Air Policy, which helped develop the proposal.**

Mark Heesen, president of the National Venture Capital Association in Arlington, Virginia, praised the bill for establishing price certainty while achieving necessary environmental goals. “It is a predictable and measured way to approach cap-and-trade and addresses many of the concerns about potential wide swings and volatility in the carbon market,” he said.

Many cap-and-trade proposals in the US feature mechanisms to set a ceiling on carbon allowance prices to avoid excess volatility during auctions, said James Braddock, a lawyer with Haynes and Boone in Austin, Texas.