

GUEST COMMENTARY - Why the time is now for climate change legislation

By Peter C. Fusaro, Chairman, Global Change Associates

The US is at an environmental crossroads on climate policy. Already, regional greenhouse gas regimes are mandated for the US Northeast and California and other western states, and the fear is that multiple environmental standards will fragment the markets. Moreover, US multinational corporations fall under the Kyoto Protocol's greenhouse gas emissions targets in 172 nations, and under those of the EU emissions trading scheme in 27 nations. These regulatory forces, coupled with the need to deploy clean energy technology in the US, are leading to greenhouse legislation in 2007.

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Congress is already debating 9 bills on greenhouse gas limits, and the real heavy lifting will be after the US Labor Day holiday at the end of the summer. During this interim period, the Congress will recess and both Representatives and Senators will be asked by their constituents "what are you doing about global warming?"

Having no good answer to that question is not a prescription for reelection in 2008, which is both a Congressional and Presidential election year. If, however, nothing is done during this session of Congress, there will be no legislation until 2009 - after a new president is elected and 6,000 political appointees are decided on for executive-branch positions.

Aside from the effort spent on political appointees and their approval, much time is spent on a bill becomes law: cap-and-trade legislation will require a long period of public hearings and written comments to write regulations and implement them. The question then becomes one of time: if the US federal government does not pass carbon-capping legislation this year, effectively three years are lost.

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With the exception of 'big coal,' every major group opposed to mandatory nationwide caps on carbon has changed its position on the issue over the past several months. The signal from the business community is that now is the time to move in a bipartisan consensual way.

The argument that China and India must be brought under a new greenhouse framework, while true, does not hold water if the largest greenhouse gas emitter in the world shirks its responsibility to act.

Market design is not rocket science. The California law on climate change was only 11 pages long. We do not need another 1700 page Energy Policy Act of 2005, where all energy and agricultural lobbyists had a field day. Unfortunately many people inside the beltway in Washington DC are stuck in their rhetoric and slow-moving public policy process. They are focused on arguments about carbon intensity and economic

burdens which are essentially superfluous to designing a functioning greenhouse gas market. An effective bill can go to House-Senate Conference after Labor Day and be signed by the President when this session of Congress adjourns.

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All that cap-and-trade markets need is a long-term regulatory scheme with clearly defined rules, and a specified reduction goal. Markets like simplicity. An entirely new clean, green, efficient energy industry is about to emerge, and its engineers need proper planning horizons. There is so much low-hanging fruit in the highly inefficient US economy that a 25 per cent reduction in greenhouse gas emissions by 2020 can be attained easily.

The proper regulatory framework will create financial certainty for both markets and capital investment in clean energy technology. In fact, emissions trading may be the "missing link" in cleantech markets, ensuring a greater upsurge in investment dollars once the US has a federal greenhouse gas regime in place.

It's time to unleash the forces of creativity and markets to reduce America's carbon footprint now. It's time now for Congress to take action!

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