

Fact Sheet: **Cap and Trade & Regional Climate Policy**

Cap and trade

Cap and trade is an affordable market-driven solution that reduces greenhouse gases. It was designed, tested and proven in the United States in the 1990s through the Acid Rain Program.

Cap and trade gives major companies a financial incentive for cutting their global warming pollution. It limits, or caps, greenhouse gas pollution at a given level. Utilities and companies that exceed their allotment are required to buy credits to cover their surplus from those that emit less than their allotment. The process aims to reduce pollution and spur investment in clean technologies.

The cap and trade system drives pollution down gradually, allowing our economy to adjust. It not only helps jump start a clean energy economy by rewarding innovation and efficiency, but also gives businesses a recipe for success: flexibility, clear goals, and a predictable timeline.

Regional Initiatives

North America has three regional initiatives aimed at fighting climate change by using cap and trade to reduce greenhouse gas pollution. They are modeled on the EPA's highly successful Acid Rain Program that was implemented in the 1990s. That system was quickly implemented after nearly a decade of stalemates between government and companies over regulation of acid rain pollution. Goals were exceeded, with power plants reducing pollution by 7.3 million tons below the mandated levels, and costs for polluters were much lower than expected.

By promoting standard regulations, regional initiatives have a greater reach and impact than state programs. Recent agreements have begun developing systems to reduce CO₂ pollution from power plants (including through cap and trade programs), increase renewable energy generation, create low-carbon fuel standards and track renewable energy credits.

Western Climate Initiative (WCI)

<http://www.westernclimateinitiative.org/>

The WCI is a collaborative effort among Arizona, California, Montana, New Mexico, Oregon, Utah, and Washington;

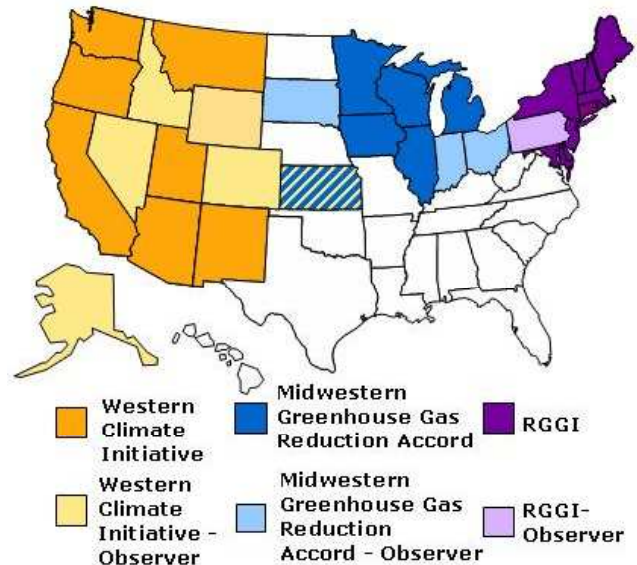


Image courtesy of Pew Center on Global Climate Change
<http://www.pewclimate.org/>

and the Canadian provinces of British Columbia, Manitoba and Quebec.

The WCI has set a regional, economy-wide greenhouse gas emissions target of 15 percent below 2005 levels by 2020, or approximately 33 percent below business-as-usual levels. Negotiations about how the system will work are at a critical stage, and there is a brief window of opportunity for input from the public and policymakers.

Midwestern Regional Greenhouse Gas Reduction Accord

<http://www.midwesterngovernors.org/>

The Governors of six states and one Canadian province established the Midwestern Regional Greenhouse Gas Reduction Accord in 2007, which will be implemented by mid-2010. Its members are developing a cap and trade system to meet regional greenhouse gas reduction targets, including a long-term target of 60 to 80 percent below current pollution levels. Participants will also establish a system to track pollution and implement other policies, such as low-carbon fuel standards, to reduce pollution.

Full participants include Illinois, Iowa, Kansas, Michigan, Minnesota, and Wisconsin, as well as Manitoba.

Regional Greenhouse Gas Initiative (RGGI)

<http://www.rggi.org/>

The Regional Greenhouse Gas Initiative (RGGI) is a Northeastern effort that began in 2003 involving Connecticut, Delaware, Maine, New Hampshire, New Jersey, New York, Vermont, Massachusetts, Rhode Island and Maryland.

RGGI sets a cap on emissions of carbon dioxide from power plants, and allows sources to trade emissions allowances. The program will begin by capping emissions at current levels in 2009, and then reducing emissions 10% by 2019.

For more information on cap and trade and the WCI:

- Sightline Institute: http://www.sightline.org/research/energy/res_pubs/climate-pricing-primer
- Pembina Institute: <http://www.pembina.org/pub/1615>
- Pew Center on Global Climate Change: <http://www.pewclimate.org/>