

## **MEMORANDUM**

**TO:** Santa Clara Valley Transportation Authority  
Board of Directors

**FROM:** Kurt Evans, Government Affairs Manager  
Santa Clara Valley Transportation Authority

**DATE:** March 21, 2008

**SUBJECT:** Summary of Federal Climate Change Legislation

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### **BACKGROUND**

The United Nation's Intergovernmental Panel on Climate Change has found that a concerted and coordinated effort must be made to limit the effects of global warming. The United States is responsible for 22 percent of the world's total greenhouse gas emissions. The transportation sector produces approximately one-third of the greenhouse gas emissions in this country, primarily in the form of carbon dioxide (CO<sub>2</sub>) emissions. Between 1990 and 2006, emissions in the transportation sector increased by more than 25 percent, representing almost half of the total national growth in greenhouse gas emissions during this period.

Public transit will play a key role in reducing greenhouse gas emissions from the transportation sector. Studies show that public transit cuts CO<sub>2</sub> emissions by 37 million metric tons annually by reducing the number of automobile trips, easing traffic congestion and supporting more efficient land-use patterns. These contributions are important because driving rates, as measured in vehicle miles traveled, are expected to double by 2030, which would negate the greenhouse gas emissions reductions resulting from recent changes in Corporate Average Fuel Economy (CAFE) standards and from new low carbon fuel requirements.

### **CURRENT FEDERAL CLIMATE CHANGE LEGISLATION**

On December 5, 2007, the Senate Committee on Environment and Public Works approved S. 2191, the so-called America's Climate Security Act, sponsored by Sens. Joe Lieberman (I-CT) and John Warner (R-VA). The Lieberman-Warner bill utilizes a "cap-and-trade" approach to achieve greenhouse gas emissions reductions. Under the provisions of the legislation, certain large-scale emitters of greenhouse gases, such as utility companies and manufacturers, would be required to submit emissions allowances to the U.S. Environmental Protection Agency (EPA) every year. Allowances would be submitted in amounts corresponding to the level of emissions from each covered facility,

such as power plant. Under Lieberman-Warner, some allowances would be auctioned directly by the federal government, and other allowances would be distributed to recipients, such as public transit agencies, and could then be sold.

To achieve national emissions reductions goals, the total amount of emissions allowances available to emitters would decline each year under the Lieberman-Warner bill starting in 2012 and continuing through 2050. By reducing the amount of allowances available, Lieberman-Warner aims to return U.S. greenhouse gas emissions to 1990 levels by 2020, and to reduce emissions further to 65 percent below 1990 levels by 2050.

Public transit agencies would not be required to submit allowances to the EPA for emissions from their vehicles and facilities. Instead, public transit would receive emissions allowances that would then be sold to large-scale emitters who are required to submit allowances, thus generating new revenues for transit agencies. These allowances would be provided in recognition of the contributions that public transit makes toward reducing greenhouse gas emissions.

When the Senate Environment and Public Works Committee marked up the Lieberman-Warner bill, Chairperson Barbara Boxer (D-CA) added language proposed by Senator Benjamin Cardin (D-MD) that dedicates 1 percent of emissions allowances for funding public transit capacity, technology and operational improvements, thereby spurring a growth in ridership. Emissions allowance revenues for public transit in the Cardin Amendment would be distributed by the states, but this might change when the bill is considered on the Senate floor.

The value of emissions allowances, such as the 1 percent provided to public transit, would be determined by the proposed marketplace for the trading and sale of allowances that the Lieberman-Warner legislation would create. If a company like a power utility needs to procure emissions allowances, it would buy them at the marketplace. Researchers at Duke University have predicted a price of \$18 to \$23 per metric ton of CO<sub>2</sub> equivalent during the first 10 years of emissions reductions and trading. In that price range, the 1 percent annual emissions allowances provided to public transit agencies would be worth between \$800 million and \$1.5 billion per year.

In addition to the emissions allowances from the Cardin Amendment, public transit is one of 11 eligible uses for the 10 percent of emissions allowances provided to the states by the Lieberman-Warner bill. If this legislation is enacted, competition for state emissions allocation revenues would be intense. State allocations are one of the proposed sources of funds in Lieberman-Warner to mitigate the legislation's impact on low-income energy consumers.

The Lieberman-Warner bill could be considered on the Senate floor as early as May or June. However, consideration of the measure could be pushed later into the summer due to floor time constraints.

Meanwhile in the House, Rep. John Dingell (D-MI), chairman of the Energy and Commerce Committee is planning to release a draft climate change bill for comment in April. Dingell and Rep. Rick Boucher (D-VA), chairman of the Energy and Air Quality Subcommittee, have indicated their interest in passing climate change legislation through the House before the end of the year. The House Select Committee for Energy Independence and Global Warming, which is chaired by Rep. Ed Markey (D-MA), is also studying the issue. The select committee could issue its own policy recommendations in the coming months.