

US carbon finance 2007 – a **year** and **review**

Tiffany McCormick Potter rounds up the action in the US markets and highlights key political plays across the nation.

Policy

The US elections of November 2006 signalled a shift in Congress and federal climate policy. Within the first few days of the start of the 110th Congress, senior senators scrambled to see who would be the first to offer a bill to cap the nation's greenhouse gas (GHG) emissions. Within a few months, over a dozen cap-and-trade bills, some focusing only on certain sectors of the economy and some economy-wide, had been introduced. Subsequently, many elements of these bills coalesced into the Lieberman-Warner 'Climate Security Act of 2007', which was approved by the Senate Committee on Environment and Public Works in December 2007. This act is an economy-wide cap-and-trade scheme that would allocate 5.7 billion tonnes of allowances at its start in 2012, making it by far the largest environmental market of its kind. In a bid to gather support from as many stakeholders as possible, allowances would be distributed

to states and tribal governments, to the agricultural and forestry sectors, as well as to load serving entities and natural gas distribution businesses. The act would also encourage technology developments, with a particular focus on carbon capture and sequestration. In a significant departure from existing US environmental programmes, the federal government would retain a significant and increasing portion of allowances for auction to emitters. This would create a large auction market and platform in parallel to the anticipated development of trading on carbon exchanges, with brokers or in bilateral transactions.

This carbon policy hurricane has yet to gather enough support for both the House and the Senate to pass a bill. Despite a Supreme Court ruling in April giving the Administration the authority to regulate greenhouse gases, there are still no US federal regulations that address CO₂ emissions – although regulations now address

