



# South Carolina Climate, Energy & Commerce Advisory Committee

Cap & Trade and Carbon Tax  
Information Session  
November 20, 2007

# Today's Agenda

- Call to order
- Roll Call of CECAC, TWG members, and public
- Overview of market based systems, including cap & trade and carbon tax approaches
- Environmental and economic impacts
- Key policy design concepts
- Discussion
- Proposed agenda for next meeting
- Public input and announcements

# Market Based Approaches

- Create or enable *market demand* for environmental improvements (e.g. GHG reductions)
- Create or enable *market supply* of improvements (e.g. GHG mitigation actions)
- Encourage and apply *flexibility mechanisms*
- Many market based mechanisms exist
  - e.g. barrier removal, technical and financial assistance, information exchange, market seeding, financial standards, disclosure, pricing, taxes, risk management, market standards, market structure, cap & trade, etc.

# Environmental/Economic Impacts

- GHG emissions
  - Caps set levels directly
  - Taxes set levels indirectly
- Cost/cost savings of compliance
  - Cap & Trade indirectly sets permit (allowance) prices, as well as volume, distribution
  - Tax policy directly sets sets price levels, as well as volume, distribution
  - Cash flow and related effects (energy prices, jobs, investment, etc.) are driven by policy design choices

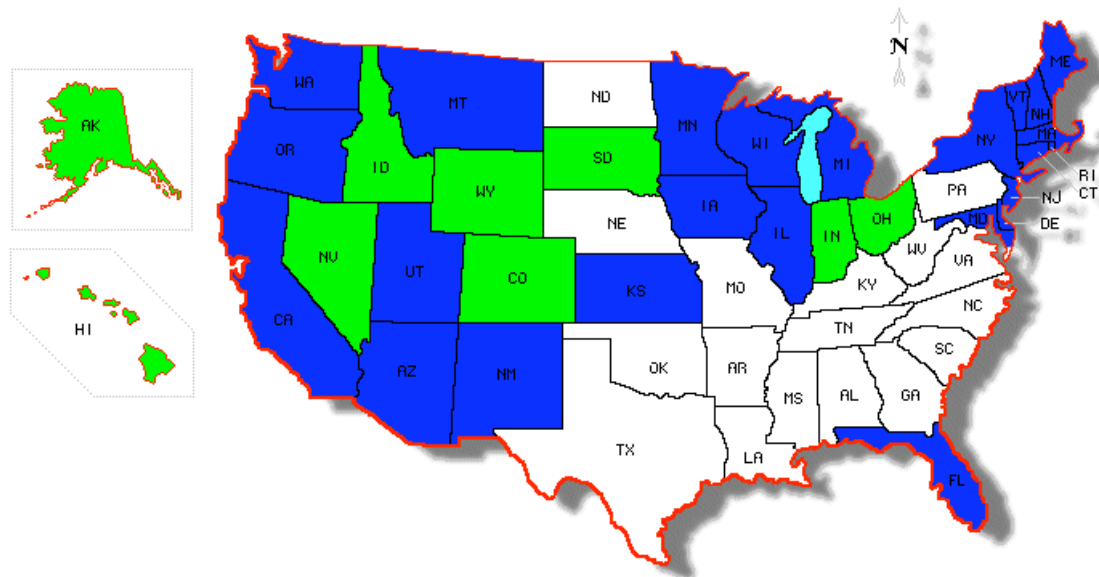
# Current Examples

- Cap & Trade for GHGs
  - EU ETS, CCX, RGGI underway, other approaches under consideration in the West, Midwest, FL
  - Some companies doing internal trading (BP)
  - Many federal proposals in congress (80+)
- Trading for other environmental actions
  - Federal programs (lead phase out, sulfur dioxide, etc.)
  - State and local programs (Transfer Development Rights, water quality/nutrient trading)
- Carbon/GHG taxes
  - In use by some EU countries
  - Under consideration in US
  - Indirect approaches include gasoline taxes, public benefit funds

# Multi State Cap & Trade

Center for Climate Strategies: Multi State Cap & Trade Programs

- - Participants
- - Observers



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# Key Policy Design Issues

1. Geographic region (state, regional, national, international)
2. Coverage of sectors/sources (economy wide, power sector, etc.)
3. Coverage of GHGs (carbon, others)
4. Integration with complimentary measures (Appliance Standards, EPS, etc)
5. Accounting approach (consumption v. production; gross v. net)
6. Targets (tax or cap levels) and timing
7. Flexibility mechanisms (offsets, early action credits, banking, borrowing)
8. Cost containment mechanisms (offsets, baseline protection, price caps, safety valves, etc.)
9. Allocation and apportionment mechanisms (free v. auction; state v. sectors; inputs v. outputs; reinvestment of revenues)
10. Reporting, monitoring and verification

# Discussion

# Next Steps

- Further information sessions or other next steps?
- Discussion at the November 30 CECAC meeting?

# Call to the Public, Announcements