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# Climate Change and Port Authorities

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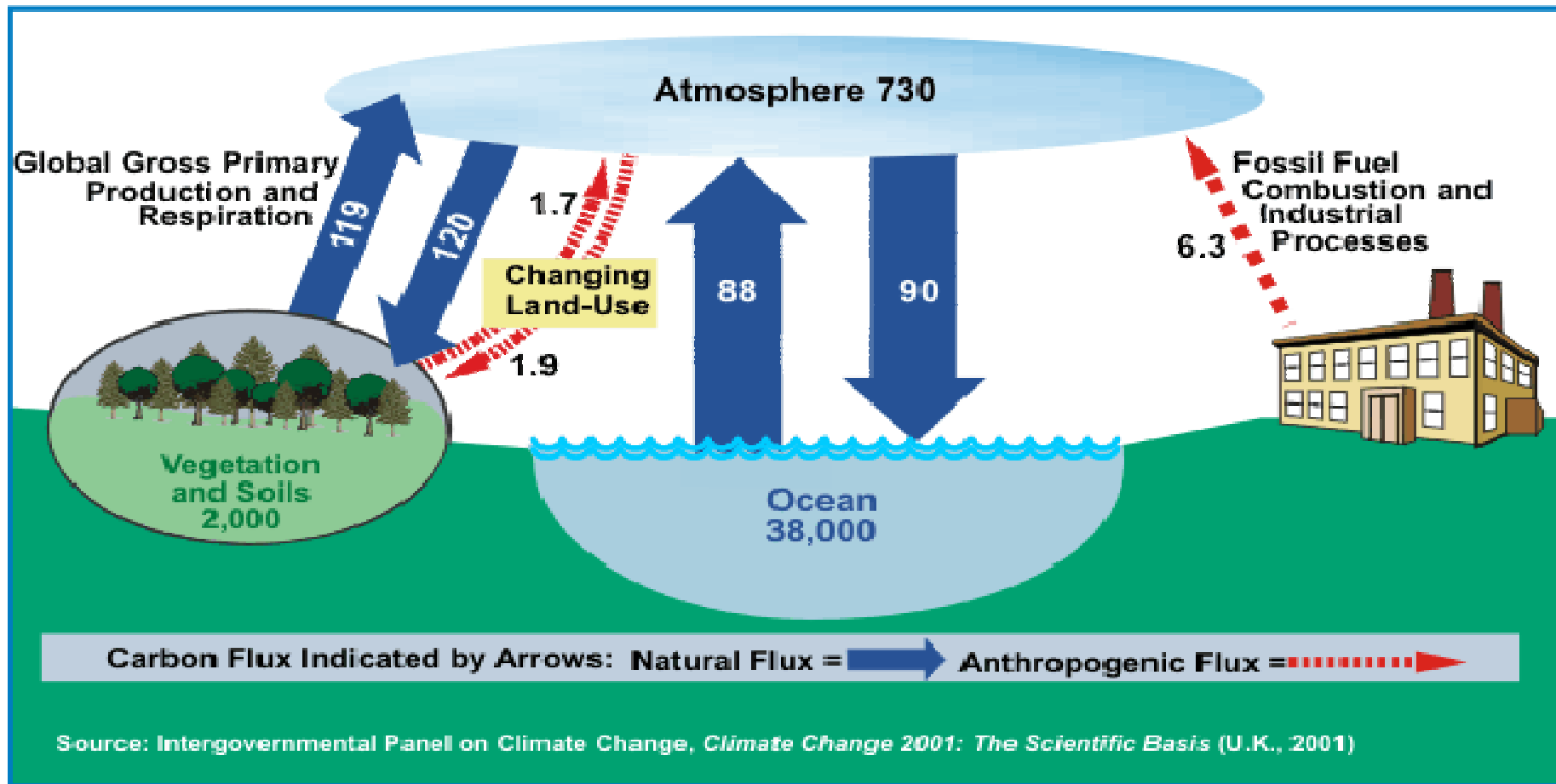
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November 2008

AAPA Climate Change Workshop

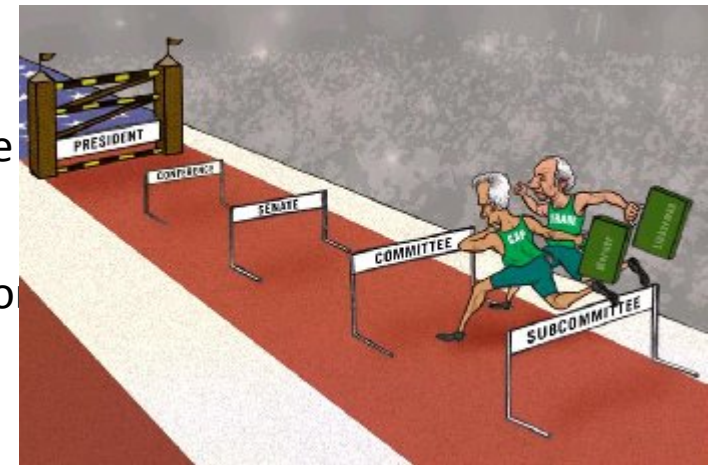


# Global Carbon Cycle (Billion Metric Tons Carbon)



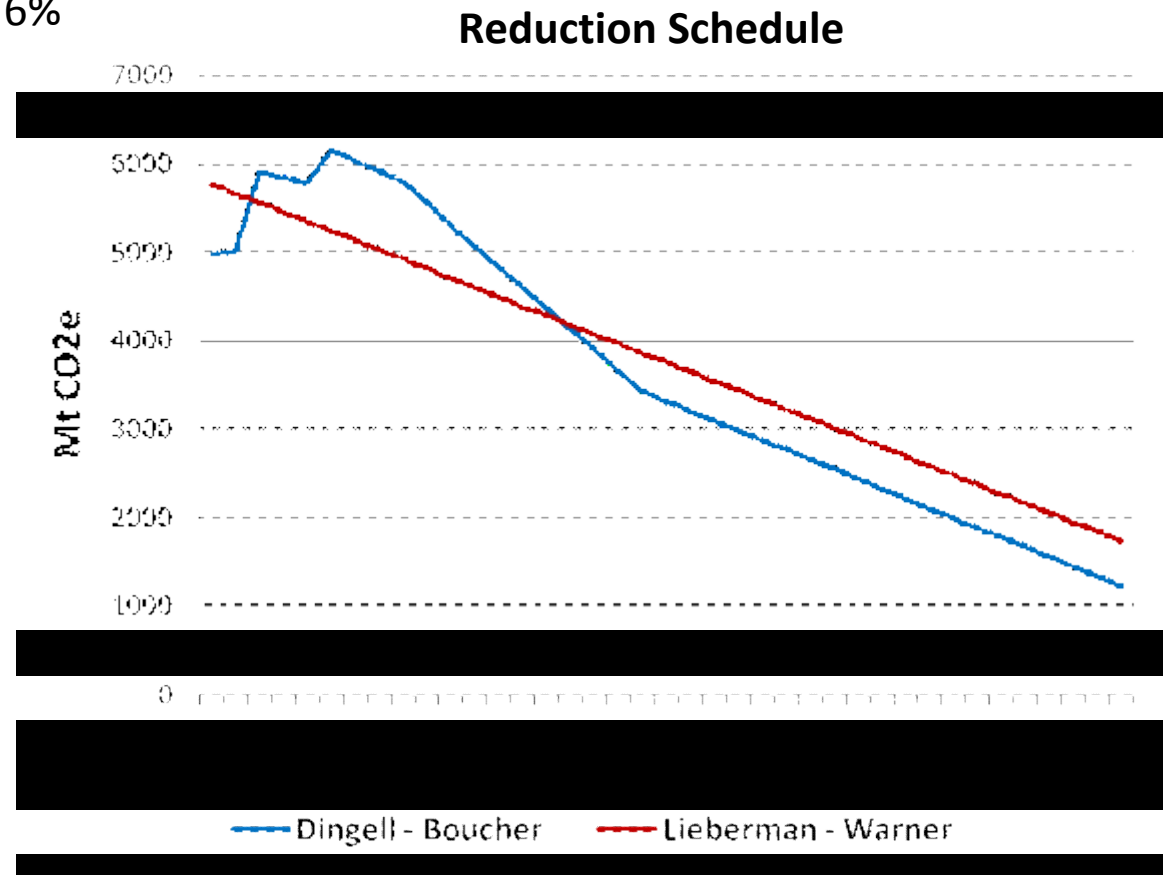
# U.S. Federal Legislation

- Discussion and debate about GHG legislation and programs was at an all-time high in 2008 and consensus is building on how carbon should be regulated
  - Both the Lieberman-Warner (LW) and Dingell-Boucher (DB) bills outlining cap-and-trade programs were released in 2008
    - The Dingell-Boucher bill will provide a starting place for a draft bill in the next Congress
  - The EPA released its Advanced Notice for Proposed Rulemaking (ANPR), which would regulated GHGs under the Clean Air Act in the absence of federal legislation
- Some rhetoric around a disaggregated approach to GHG legislation
  - A power sector bill only + National RPS is possible
- 2010 may be optimistic for a GHG bill given state of the economy, *unless*
  - State programs are in danger of starting – companies want a centralized approach
  - EPA's ANPR moves forward, forcing Congress to attempt action before implementation
  - Congress can successfully frame the bill as dealing with energy security and creating domestic jobs (Obama and the Democrats have already started to do this)
  - International negotiations for post-Kyoto serve to propel discussion forward



# Dingell Boucher Overview

- This bill seeks to reduce GHG emissions to 6% below 2005 levels by 2020 and 80% below 2005 levels by 2050
- Many sectors across the economy are regulated, either categorically or by emissions level
- Proposes multiple options for allocating versus auctioning allowances
  - All options phase in more auctioning relative to free allocations over time and all options auction 100% of allowances post-2025
- Offsets allowed
  - Ranging from 5% to 35% over time
  - International offsets allowed
- No safety valve as discussed in the bill, but a Strategic Reserve Auction Pool would be limited to compliance entities and allowances would have floor of between \$20 - \$30 in the initial years



# House Committee on Energy and Commerce

## Dingell and Boucher Discussion Draft (Oct. 7, 2008)

- Amends the Clean Air Act
  - Title VII, "Greenhouse Gas Cap and Trade Program"
  - Title VIII, "Greenhouse Gas Standards"
  - Excludes GHGs from most other CAA regulation
- Cap and trade program covering 88% of US GHG emissions
  - All electricity generators
  - Entities emitting greater than 25K tons CO<sub>2</sub>e
    - Industrial operations
    - Fuel producers, importers, and distributors
    - Geological sequestration sites
  - Smaller GHG producing entities are covered by industry specific standards

# House Committee on Energy and Commerce

## Emission Caps

- 6% below 2005 levels by 2020
- 44% below 2005 levels by 2030
- 80% below 2005 levels by 2050

## Allowance Allocation

- Initially distributed on percentage basis to covered sectors and specific complementary programs (i.e. energy efficiency, clean technology, economic support)
- Allowances distributed to programs will be auctioned
  - Auction proceeds used to support that specific program
- Discussion draft contains 4 options for allowance distribution

# House Committee on Energy and Commerce

## Option 1

- Heavy initial distribution to covered sectors

## Option 2

- Fewer allowances distributed to covered sectors percentage decreasing over time
- More allowances distributed to complementary programs

## Option 3

- Similar to option two, but with additional allowance distributions to adaptation and international programs

## Option 4

- 100% initial distribution to complementary programs
- A majority of allowances distributed to programs designed to provide economic support to consumers



# House Committee on Energy and Commerce

## **Energy Efficiency and Clean Technology**

- Several provisions encourage state initiated energy efficiency
  - Improvement in building codes 30% by 2010 & 50% by 2020
  - Encouragement of CCS implementation and renewable energy sources

## **New coal fired power plants**

- Specific performance standards
- CCS requirements within timeframe based on commercial availability

## **Offset Credits**

- May be used to cover compliance obligations
  - Up to 5% for 2013-17, then up to 35% by 2024
- International and domestic credits may be used

# House Committee on Energy and Commerce

## **Freight Sector Efficiency Technologies and Strategies Program**

- This section allows a state to provide assistance from its SEED Fund to a private or public entity for the installation of, or to finance the installation of, energy-efficient technologies certified by the EPA's Smart Way program and to promote heavy-duty vehicle energy efficiency technologies.

## **Support in the House for Climate Change Bill is likely to be strong**

- Oct. 2 More than 150 members of Congress signed a letter stating that a comprehensive climate change bill should be economy wide and use an emissions trading scheme to cut GHG emission 80% below 1990 levels by 2050.

# Federal Program: Regulated Entities

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## ➤ Petrochemical Plants

- Dingell Boucher: Categorically regulates plants that produce acrylonitrile, carbon black, ethylene, ethylene dichloride, ethylene oxide, and methanol
- Lieberman Warner: Plants would be regulated if using more than 5,000 tons of coal per year

## ➤ Industrial Stationary Sources

- Dingell Boucher
  - Categorically regulates chosen sectors such as adipic acid, primary aluminum, ammonia, cement, HFC, lime, nitric acid, petroleum refining, phosphoric acid, silicon carbide, soda ash, and titanium dioxide
  - Source emissions or downstream emissions > 25,000 tons CO<sub>2</sub>e per year
    - Sectors: Ethanol, ferroalloy, food processing, glass, hydrogen, iron and steel, lead, pulp and paper, zinc, and others unmentioned
- Lieberman Warner
  - If the plant uses more than 5,000 tons of coal per year

## ➤ Refiners and Fuel Importers

- Dingell Boucher: If providing interstate markets with petroleum-based or coal-based liquid fuels and source or downstream emissions exceed 25,000 tons CO<sub>2</sub>e per year
- Lieberman Warner: Any entity that manufactures or imports into the U.S. petroleum liquid or gaseous fuel, petroleum coke, or coal-based liquid or gaseous fuel

# EPA's GHG ANPR and Port-Related Concerns

- Use of the Current SIP Process to Address Greenhouse Gas Emissions from the Port/Maritime Sector
- Marine vessel approach should be through the IMO
  - Approximately 91% of all the vessels calling on the Port of Houston for example are foreign flagged
- Shore power raised in ANPR—probably best implemented internationally if mandatory
- If CAA is used to regulate offroad sources, traditional engine/fuel standards are preferable to use-restrictions or a more administratively cumbersome hybrid approach
- Preemption is key to administrative efficiency

# IMO Efforts

- IMO estimates that international shipping contributes approximately 2.7 percent of global CO2 emissions.
- In the absence of future regulations, IMO predicts that CO2 emissions from shipping will increase by as much as a factor of three by 2050.
- IMO's Marine Environmental Protection Committee met recently to discuss the development of new technical and operational measures to reduce emissions, including:
  - Development of design and operational measures to increase energy efficiency for new ships
  - Efficiency management plan for ships
  - Voluntary code of best practice to increase energy efficiency of ship operations.
- MEPC also approved draft interim guidelines for calculating the energy efficiency of new ships.

# Other GHG Issues for Port Authorities to Watch, Consider, and Potentially Act Upon

- Marine Vessel and Offroad Rule Petitions
- EPA's emission inventory requirements
- State developments—especially those in California
- Litigation
- Federal legislation on Cap & Trade
  - Preemption discussions
  - Potential direct inclusion of marine vessels/port operations
- Federal legislation to regulate ship emissions - Boxer
- Critical that Port Authorities place pressure on Federal Government to work through IMO (similarly, critical for Port Authorities to place pressure on IMO to

# Big Picture U.S. Considerations Going Forward

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- Future of carbon legislation is hard to ascertain – strong leadership from the next president will likely determine where legislation and federal markets will go

## **Obama's plan**

- 2050 target: 80% below 1990 levels
  - 100% allowances auctioned
  - Auction proceeds to be used to fund clean technologies, energy efficiency and workers compensation
  - Limited use of offsets
  - Addresses deforestation
  - Co-sponsored Boxer-Sanders bill
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- The regional and voluntary markets are already underway, with no signs of slowing down
  - The voluntary markets for carbon are seeing strong growth



## Proactive GHG Measures for Ports to Consider

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- Energy Efficiency Measures
- CHP
- Emissions Inventories
- Renewable Energy Opportunities
- Efficiencies in Goods Movement