

US GHG Markets – May 2009 (1/2)

Monthly Market Update



Federal

Clean Energy and Security Act of 2009 Moves Forward

The American Clean Energy and Security Act of 2009 passed out of the House Energy and Commerce Committee by a vote of 33-25 on May 21, 2009. The bill aims to reduce US greenhouse gas emissions 17% below 2005 levels by 2020 through a national emissions trading system. A proposal on allowance allocation, a compromise that ensured passage of the bill, provides for 85% of allowances to be freely allocated with 15% auctioned. Free allocation percentages will differ by industry with electric local distribution companies as well as energy-intensive and trade-sensitive manufacturers receiving the bulk of free allowances. The bill also allows for up to 2 billion carbon offset credits to be used for compliance per year – 1 billion from domestic supply and 1 billion from international sources. In addition to the cap and trade component, the bill mandates that the US produce 15% of its electricity from renewable energy sources by 2020.

General market sentiment is that the current supply of domestic offset credits is unlikely to be able to meet the demand expected to be generated under the Waxman-Markey bill. Some studies have indicated the US is only expected to produce 15 million credits in 2012.

The bill is now scheduled for consideration is several house committees before it makes it to the House floor at the end of June.

Distribution of Allowances Under Waxman-Markey

Electric utilities would get 35% of permits in a US ETS for free starting 2012. The proposal stipulates utilities will receive free allowances to cover 90% of their greenhouse gas emissions. The allowances would be given to electricity distribution companies based on their service region's historic emissions and retail sales. Local natural gas distribution companies will receive 9% of allowances. States would receive 1.5% of allowances for free to benefit users of home heating oil and propane. Merchant coal generators would receive 5% of the system's allowances for free at the start of the system, an allocation that would be phased out by 2030. Energy-intensive, trade-exposed industries will receive 15% of the system's allowances in 2014, the year manufacturing is brought into the system. Oil refiners, meanwhile, will receive 2% of allowances starting in 2014 and ending in 2026. The free allocation of emission allowances would be phased out over a five-year period from 2026 through 2030, according to the proposal.

Fifteen per cent of allowances would be auctioned each year and the proceeds of the sales will be returned to low- and moderate-income households.

California

California Entities Submit GHG Inventory Reports June 1, 2009

California entities subject to California's Mandatory GHG emissions reporting program submitted their greenhouse gas inventory reports to the California Air Resources Board (ARB) June 1, 2009. Entities subject to the regulation include power plant operators, cogeneration facilities, cement plants, refineries, hydrogen plants, retail providers and marketers of electricity, and general stationary combustion facilities emitting 25,000 metric tons or more of carbon dioxide in a calendar year. Though not required for 2009, entities choosing to have their reports third-party verified must still submit inventories by June 1, 2009, but have until December 1, 2009 for verification report submission to ARB.

To begin reporting, covered entities will be using the California GHG Reporting Tool, a web-based tool that enables covered entities to assign reporting personnel, establish emitting activities, annually report emissions by source and fuel type, and report other information required by the regulation. In addition, the tool will act as a central repository for tracking and monitoring all GHG reporting activities in the state, and will be useable by the public and third party verifiers to review reports.

Offsets Public Workshop at the California ARB

On May 21st, the California ARB held a public meeting to discuss the procedures for reviewing and accepting compliance offsets under AB32. Highlights from the meeting included the decision not to include geographic limits on offsets, and that Dairy Methane and Forestry protocols would be reviewed first as priority offsets. The ARB also indicated that they are leaning toward using performance-based approaches that will give them the ability to apply project-by-project criteria. They also determined offsets prioritization criteria, including: applicability to California and beyond, cost-effectiveness, ability to help achieve policy goals and double counting implications. Finally, the board concluded that project validation would be voluntary where performance-based protocols exist and third-party verification would be required.

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Verified Emission Reductions (VERs)

Offers

▼ TYPE	▼ COUNTRY	▼ SIZE (CO@e)	▼ VINTAGE	▼ PRICE	▼ PRODUCT
Livestock Methane	USA	10k/year	2009-2013	\$8.00-9.50	Climate Action Reserve CRT's
Landfill Gas	USA	100k/year	2009-2014	\$6.75-7.50	Climate Action Reserve CRT's
Forestry	USA	10k/year	2009-2013	\$8.00-11.00	Climate Action Reserve CRT's
Coal Mine Methane	USA	100k	2007	\$5.00	VCS v. 2007 VCU's
Energy Efficiency	Mexcio	36k	2007-2008	\$5.00-7.00	VERs (VER+)
Wind	Taiwan	120k/year	2009-2012	8.50-10.00	VERs (Gold Standard)

Bids

▼ TYPE	▼ COUNTRY	▼ SIZE (CO@e)	▼ VINTAGE	▼ PRICE	▼ PRODUCT
Livestock Methane	USA	10k/yeat	2009-2010	\$5..00	VCS v. 2007 VCU's
Landfill Gas	USA	100k/year	2009-2014	\$5.50-6.25	Climate Action Reserve CRT's

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