

COOPER, DOGGETT UNVEIL NEW APPROACH TO REDUCING GLOBAL WARMING WITHOUT MARKET MANIPULATION

First Cap-and-Trade Related Bill Filed in this Congress Brings New Members to Climate Agenda

Washington, D.C. — Rep. Lloyd Doggett (D-Texas) a senior member of the House Ways and Means Committee, and Rep. Jim Cooper (D-Tenn.), a co-author of the 1990 acid rain cap-and-trade system, are introducing the Safe Markets Development Act, an innovative piece of climate legislation that will ensure emission reduction goals while containing costs, avoiding volatility in emission allowance prices and preventing market manipulation that could lead to destructive booms and busts in a US carbon market.

Rep. Doggett commented:

"Legitimate concern over speculation in fossil fuel and financial markets must not stand in the way of new energy policy. Proper action now on climate change will spur both job growth and energy independence. Inaction will only wreck our economy and our environment. Overcoming the high obstacles to fulfilling President Obama's commitment to a cap and trade system requires continual cooperation, collaboration, and a willingness to consider new ways of resolving old problems."

"This bill represents one significant, new element of the broader legislation that must be developed through joint action of the House Energy and Commerce and Ways and Means Committees and others. It offers a way to avoid the volatility in carbon allowance prices that might otherwise occur in the initial years of a cap-and-trade system without sacrificing strong science-based limits on carbon pollution."

"There is a role for everyone willing to work in good faith based on good science to end obstruction and to reduce the real threat of global warming. The more members we bring together, the more successful we will be in enacting a solution. This bill represents the type of legislation that I intend to continue offering -- building block by building block to help us achieve a comprehensive solution."

Rep. Cooper commented:

"We have to thread the needle very carefully if we're going

to implement a successful carbon cap-and-trade program. An efficient, stable carbon market will produce the necessary reductions at a dependable price. Environmental and business groups alike should welcome the Safe Market Development Approach because it provides the right amount of protection and certainty in the early years of this important program.”

** “The Safe Markets Development Act is a new idea that should appeal to all those who are looking for an acceptable, middle ground solution to passing climate legislation. This bill will meet our environmental goals, create predictable prices and prevent market manipulation and excess speculation in the early years of a cap and trade program.” -- Ned Helme, President, Center for Clean Air Policy

** “We are particularly pleased that this legislation seeks to establish price certainty while achieving the environmental goals that are a necessity for any meaningful climate legislation. It is a predictable and measured way to approach cap and trade and addresses many of the concerns about potential wide swings and volatility in the carbon market.” -- Mark Heesen, President, National Venture Capital Association

** “We offer our strong support for the approach presented in the “Safe Markets Development Act of 2009” to set stable prices in carbon markets while maintaining firm pollution reduction targets” -- Brent Blackwelder, President, Friends of the Earth

What the bill does:

The Safe Markets Development Act provides an innovative auction mechanism for cap-and-trade legislation that guarantees science-based reductions of carbon pollution while ensuring market stability. The bill would rely upon an independent Board to determine the annual allowance prices necessary to meet emissions targets from 2012 to 2020. The U.S. Treasury Department would conduct quarterly allowance auctions designed to maintain prices determined by the Board. The Board must conduct an annual review of its success in meeting the emissions goals and adjust the forecasted prices to ensure we stay on track to meet the 2020 emissions goal. In short, this new legislation is not a complete global warming bill, but it offers one key component to improve price predictability that business needs to achieve the science-based cuts in greenhouse gas emissions.

Cosponsored by a broad coalition of House members, including members of the conservative Blue Dog Coalition, such as Representative Jim Cooper and Heath Shuler, as well as members of the Congressional Progressive Caucus, the Safe Markets Development Act was drafted in cooperation with the Center for Clean Air Policy which works closely with businesses, nongovernmental organizations and governments to develop smart

climate policies that balance environment with economic development.

Video of Congressman Doggett's remarks is available online
at: http://www.house.gov/doggett/speeches/2009-03-23_SafeMarkets.wmv

Rep. Lloyd Doggett

Introduction of Safe Markets Development Act

March 23, 2009

With all the recent talk about unearned bonuses, I want to talk about a bonus that we Americans can give to ourselves and the world. We can do that by approving President Obama's plan to "make clean, renewable energy the profitable kind of energy." Because we can build a clean energy economy by reducing greenhouse gas emissions --carbon pollution -- through a market-based system, as the President has proposed, I am, today, together with a number of House colleagues, introducing the Safe Markets Development Act.

This legislation will help to ensure that any future market for carbon allowances is not abused by price speculators or undermined by excessive price volatility. This is the first cap-and-trade measure to be filed in this Congress and it is unique -- both in responding to concerns about market manipulation, and in its broad support -- bringing new Members and a broader array of interests behind this new idea on how to resolve one aspect of our transition to a cleaner world.

This Safe Markets bill offers an approach that will provide a narrow auction and trading environment for the start-up phase of a cap-and-trade or cap-and-invest system. Experts on commodities markets tell us that price volatility is not unusual with new markets. Certainly, legitimate concern over recent speculation in fossil fuel and financial markets must not stand in our way of new energy policy.

How does this bill achieve science-based emission reductions? It relies on an independent Board, with strict conflict of interest provisions and post employment restrictions, to determine the annual prices per ton of carbon necessary to meet science-based annual emissions targets from 2012 to 2020. The Treasury Department would conduct quarterly allowance auctions designed to maintain this price. Under the legislation, the Board must conduct an annual review of its success in meeting emissions goals in order to adjust forecasted prices to ensure compliance with the next year's targets.

Just as a child removes training wheels after becoming comfortable cycling, as young swimmers start in the shallow end of the pool before moving to the deep end, so too after we gain experience over this first eight years before we can move to a more traditional cap-and-trade system.

Like President Obama, I believe that the best approach is one that relies upon a 100% auction – that does not give away to polluters “pollute free” cards. Budget Director, Dr. Peter Orszag has correctly noted that giving away allowances “would represent the largest corporate welfare program that has ever been enacted in the history of the United States.” As noted in another recent statement by over 600 economists calling for auctioning all allowances, free allocations do little or nothing to protect families and businesses from higher energy costs. The significant shortcomings of the European cap-and-trade system are largely linked to the pursuit of this politically easy but very ineffective course. An abundance of free allocations lead to major price speculation and would only hinder the ability of the system to properly reduce emissions.

This bill I am introducing today represents the type of legislation that I intend to continue offering -- building block by building block to help us achieve a comprehensive solution. Next will be a plan to

ensure the competitiveness of American importers and exporters in a new energy economy.

I am pleased this legislation enjoys support from a number of Blue Dog Coalition members, such as Representative Jim Cooper and Heath Shuler, as well as members of other caucuses here in Congress and a broader array of business interests -- such as the National Venture Capital Association.

Last week, Speaker Pelosi brought together key House committee chairs to sign a statement that they are uniting behind one bill to achieve our shared goal with President Obama of a more accessible, affordable health care system for every American. I believe we need to do the same in order to resolve global warming. Today's bill represents one new element of the broader legislation that must be developed through cooperation and collaboration of the House Energy and Commerce and Ways and Means Committees as well as many other members.

A role exists for everyone willing to work in good faith based on good science to end obstruction and to reduce the real threat of global warming. The more members we bring together, the more successful we will be in enacting the solution President Obama has offered to move us to a clean energy economy.

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