

# CCS-CDM-Carbon Markets

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# Objectives

- 1. Some major practical and political realities for CCS globally and in U.S.A.
- 2. How realities were manifested at Copenhagen
- 3. Integration of CCS into the carbon market for EU and US and globally

# COP-15

- CCS discussions in Copenhagen occurred in many forums....SBSTA, COP, CMP, and AWG LCA
- SBSTA continued discussion to June 2010
- SBSTA to report to CMP in 2010

# Open Key Issues

- Should CCS be included in CDM?
- Are carbon markets alone sufficient?
- If not, what is needed to give impetus to CCS?
- Where is the U.S. market?

# CCS in the U.S.

- State of flux.
- U. S. cap and trade legislation
- EPA
- States

# Regulatory Requirements

## Carbon Market

- Market Integrity—protection against fraud, manipulation and other potential abuses
- Credible and efficient clearing house for trading oversight
- Effective trade execution system
- Credible registry and record keeping
- Enforcement of emission caps and offset requirements
- Uniform standard setting and allocation methodology

# U.S. Regulatory Candidates

- FERC
- Commodity Futures Trading Commission
- EPA
- States

# Cap

- EPA appears to be asserting jurisdiction, absent Congressional Action
- States, most notable California (under AB 32) Western climate Initiative and RGGI



# Trade

- Commodity Exchange Act
- Over the counter (OCT) contracts on emissions and carbon credits are exempt from most provisions
- Need not trade on a commodity exchange
- Need not clear through a designated derivative clearing house

# CFTC

- Openly signaled “willingness” and “ability” to assume oversight responsibility to regulate futures and cash aspect of a U.S. carbon market
- But national cap and trade legislation must establish an infrastructure

# Recent U.S. Legislation

- Derivatives Markets and Transparency Accountability Act of 2009
- Passed by House in December 2009
- Chairman of CFTC testified repeatedly affirming CFTC's ability and willingness to take on these responsibilities

# GHG--Global Warming Potentials

- Carbon dioxide---1---burning fossil fuels, deforestation, etc
- Methane ---25---natural gas, hydrocarbon production, organic waste, etc
- Nitrous oxide--- 298----chemical industry, animal waste, fertilizer, et
- Sulfur hexafluoride ---22,800----electrical production and magnesium production

# Climate Change Legislation in U.S.

- Waxman Markey---passed House
- Senate
- 1:1 exchange for emission allowable for qualifying international programs
- Carbon import tax—Waxman-Markey, but place holder in Senate? (Kerry-Boxer)
- Split cap and trade from other climate change
- Health Care and Financial Reform

# Prerequisites

- Incentives...carrot and stick
- Differences between EOR & pure CCS
- Clarity of carbon value --- long term stability
- Tradability
- Integrity
- Legal and regulatory obstacles must be resolved
- Public support for CCS and recognition of climate change perils must develop

# Near Term U.S. Drivers

- Stimulus money & jobs
- National security
- State climate change initiatives
- Regulatory mandates—federal and state
- International considerations

# Tea Leaves



