

Chairman Dingell, Subcommittee on Energy and Air Quality Hearing entitled "Climate Change: Lessons Learned from Existing Cap-and-Trade Programs"

Statement of Congressman John D. Dingell, Chairman
Committee on Energy and Commerce

SUBCOMMITTEE ON ENERGY AND AIR QUALITY HEARING ENTITLED "CLIMATE CHANGE: LESSONS LEARNED FROM EXISTING CAP-AND-TRADE PROGRAMS"
MARCH 29, 2007

From the outset of our climate change hearings, witnesses have been recommending a cap-and-trade program as an important element of a climate change program. Today we will hear from experts about existing cap-and-trade programs and how those experiences should inform our response to climate change.

In the 1990 Clean Air Amendments, Congress took a bold step when it adopted the Acid Rain Trading Program to reduce sulfur dioxide emissions from power plants. At that time, the cap-and-trade approach was largely untested and very controversial. We sit here almost two decades later having frequently heard witnesses praise this extremely successful program. Power plants have reduced emissions faster than required by law and at far less cost than projected. Based in large part on the success of the Acid Rain Trading Program, a number of other cap-and-trade programs have been established to address environmental problems.

Many of these programs have been quite successful, but some have had rocky times. Witnesses and members have noted some problems experienced during the first phase of the European Union's Emissions Trading System. This first phase was designed to be a learning period for the EU, and I hope to hear what lessons they have learned and whether those lessons are applicable here.

If the United States decides to adopt a cap-and-trade program to address climate change, many decisions will need to be made to ensure that we tailor the solution to address our policy goals. In addition to questions about the timing and level of reductions that would be required, there are structural questions that must be answered, such as:

- Which greenhouse gases should be covered? Just carbon dioxide?
- Who should be covered by the program? Should it be economy-wide or cover just certain sectors?
- How should the allowances be distributed? Should the government auction them? Should Congress allocate them by statute, as with the acid rain program? If not, what Government entity should be given that responsibility? Should they be given away for free as we did with most of the Acid Rain allowances? If we give them away, to whom should we give them?

- Should we allow covered entities to use offsets to meet their requirements? If so, what offsets?
- Should we have a safety valve that fixes a maximum price on allowances?
- What must be done to ensure that the program operates openly, fairly and honestly?
- What should we do with any revenues generated by safety valves or auctions?
- Are there ways to design the program to encourage technological development?
- How many of these decisions should Congress make and which should we delegate to another entity?

These are all very important questions. The answers will have critical environmental and economic consequences. It is crucial that we understand these consequences so that we can avoid those that are unintended.

I look forward to hearing from today's experts so that we can better understand the choices before us.

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