

US fossil fuel GHG emissions aren't required to fall until 2030 under ACESA

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The American Clean Energy and Security Act (ACESA) aims, in part via a cap on US greenhouse gas emissions from fossil fuels, to set the United States on a path towards a clean energy future. This path has been projected to lead to the creation of many new jobs and important new industries within the US. One aspiration of the ACESA is that by leading the way on climate and clean energy, the US can own and export these key technologies to the rest of the world.

Carbon offsets potentially put this future at risk by deferring the time at which US fossil fuel emissions must fall – and hence decreasing the incentives that firms have to develop and deploy new technologies into the marketplace. Offsets do this by allowing firms to pay non-capped entities, within the US or internationally, to reduce GHG pollution and in lieu of doing so themselves.

In essence, the more offsets that are allowed within a cap-and-trade system, the less that capped sectors must accomplish. This affect is accentuated if firms, in addition to large numbers of offsets, can bank allowances for future use. With banking, firms can use offsets for compliance in early years, when the combination of allowances and offsets exceeds actual emissions, and save extra allowances for use in future years in order to defer emission reductions even beyond the point at which business as usual emissions is less than the combination of the cap and available offsets.

Figure 1 illustrates the delay in reductions that the offsets and allowance banking provisions in the ACESA allow. Shown in Blue is the business as usual growth in emissions from 2012 to 2050, as projected by EPA in their analysis of the bill. Shown in red is the cap on covered emissions. Shown in green is the sum of the cap and allowed offsets – at least in the early years, approximately 1.4 billion tons above the cap. Until 2025, the cap plus offsets is actually greater than BAU emissions. This allows for firms to bank allowances every year. The growth in the number of banked allowances is shown in purple. Between 2025 and 2030, firms are able to maintain BAU emissions by drawing upon allowances banked in the early years of the program. It is only in 2030 that covered emissions must depart from the BAU emissions path because the cap plus offsets is below BAU emissions and the allowance bank has been depleted.

Thus only in 2030 and not before, will GHG pollution from the combustion of fossil fuels have to be reduced below what it otherwise would be.

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Figure 1: Covered fossil fuel emissions under ACESA need not fall until 2030.

