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If the United States decides to implement a mandatory regulation to control emissions of greenhouse gases, the program must be comprehensive, economy-wide, and market-based. The program should also include early action credits so that companies that have significantly reduced their emissions over the past decade are rewarded instead of penalized for voluntarily taking environmentally responsible actions.

Any mandatory GHG program, in order to be effective and fair, must be comprehensive by including all gases and must be economy-wide by including all sectors that contribute to emissions of GHGs. It must also focus on minimizing the domestic and international competitiveness impact on business. The easiest way to institute an economy-wide GHG program from an administrative perspective would be an upstream approach that regulates carbon at the point it is first introduced into the market. This would cover the smallest number of regulated entities and provide for the overall simplest program. But it is not as clear that this approach creates the most effective program. An upstream approach will tend to work by raising the cost of energy and this will have a different effect on different sectors. Raising the cost of energy could have an especially negative impact on the competitiveness of energy-intensive manufacturing industries.

ICCP does not believe that companies should be required to buy their plants back as part of a mandatory GHG regulation. Therefore, we support the allocation of allowances without cost. This is how it was done for the acid rain and ozone depleting substances programs and these programs have been very successful. Allowances could be allocated in such a program based on historical data such as market share or historical production. Some allowances would have to be set aside for new entrants and a small percentage of allowances should also be set aside for early action credit, consumer protections, and energy-intensive industries. In no case should initial allowances be auctioned and the resulting funds simply go into the Treasury.

ICCP has always supported the concept that “a ton is a ton is a ton” or that all verified emission reductions are equal. Therefore, we support the idea that a US GHG emission reduction program would be fungible in some way with other trading programs. If not prohibited, the trading markets are likely to identify the most efficient means of making this happen. Although there are political and legal hurdles to adding international trading to a domestic system, at a minimum the domestic program should ensure that verification systems are comparable with international programs, with a goal towards legal compatibility in the future.

It is important to have an ongoing assessment process of US actions as well as the actions of other nations. It has never been our view, however, that developing nations must have commitments identical to those in the US. It is possible to propose alternatives, e.g. intensity-based programs for developing countries, which could be the basis for future bilateral programs. All such programs should then be reviewed and assessed on the basis of consistency and effectiveness of program goals.