

# The American Power Act of 2010



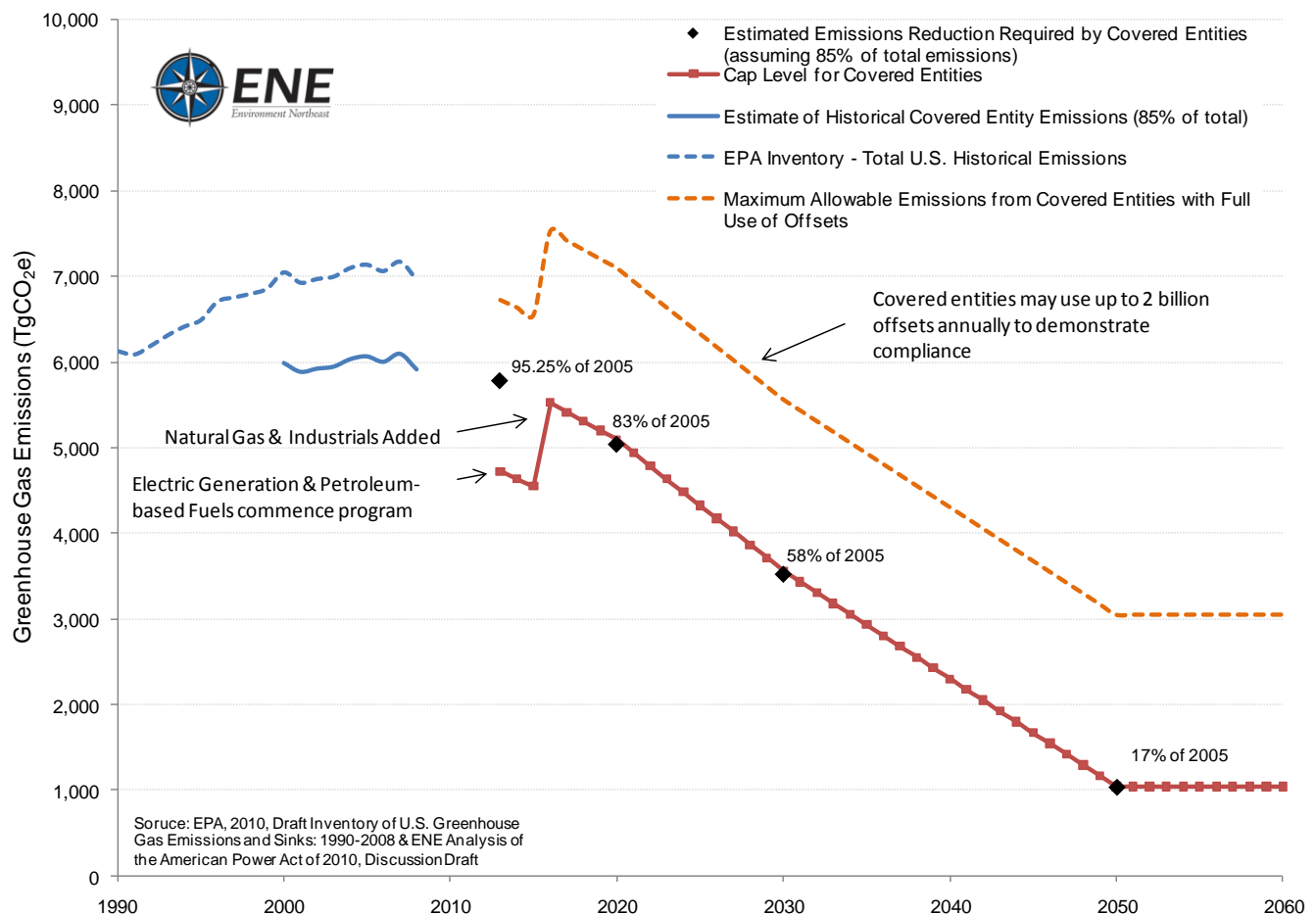
## Preliminary Cap & Allocation Summary | May 2010

The *American Power Act* (“APA”), released as a discussion draft on May 12, 2010 by Senators John Kerry (D-MA) and Joseph Lieberman (I-CT), sets a declining cap on greenhouse gas (GHG) emissions from entities responsible for about 85% of total U.S. emissions. The bill allocates allowances (permits to emit 1 ton of CO<sub>2</sub>) to regulated entities and to support low carbon technologies and consumer refunds. This memo summarizes APA’s provisions on (1) the emissions cap; and, (2) the allowance allocations. (For a comprehensive summary of the bill and detailed summaries and recommendations on specific issues such as energy efficiency, offsets, and impacts on state GHG programs, see the [Federal Cap and Trade page](#) on ENE’s Web site).

### Emissions Cap

The APA emissions cap takes effect in 2013, covering electricity generators, petroleum-based fuel providers, refiners, and producers of other man-made GHGs (entities responsible for 67% of total U.S. emissions). The cap takes in another 18% of U.S. emissions in 2016, when emissions related to natural gas distribution companies and “trade-exposed industries” come under the cap. From a 2005 baseline, emissions decline 4.75% by 2013, 17% by 2020, 42% by 2030, and 83% by 2050 (see Figure 1, below). The cap establishes numerical tonnage limits, which may be adjusted up or down if EPA revises the 2005 baseline or finds that covered sources are responsible for larger or smaller shares of emissions. Covered entities other than transportation fuel providers may use up to 2 billion domestic and international offsets (emissions reductions or increased sequestration from outside of the covered sectors) to demonstrate compliance. After 2018, 1.25 international offsets must be used for each ton of emissions.

Figure 1: APA GHG Cap and Offsets in Relation to Historic Emissions



## Allowance Allocations

Allowances (permits to emit) are both auctioned and distributed for free, with free allocations decreasing over time (see Figure 2, below). For the duration of the program approximately 12.5% of allowances are auctioned by the federal government to provide monthly refunds to low-income consumers. Out of the total 128 billion allowances from 2013-2050, four billion allowances are set aside for the cost-containment reserve (“price collar”). Remaining allowances are distributed to: emitters (large industrials, refineries, merchant coal plants, and power plants with long-term contracts); energy distributors on behalf of their ratepayers (local distribution companies, which may or may not own power plants, depending on local electricity markets); states; and, federal agencies. Recipients may auction allowances to raise revenue or use allowances for compliance, in the case of emitters and energy distributors. A significant portion of allowances – almost 50% in the early years – is allocated for the benefit of electric, natural gas, oil, and propane consumers. State utility regulators and EPA will interpret “consumer benefit” and determine whether allowances are used for compliance, for rebates, efficiency programs, or other investments. Unallocated allowances are used for deficit reduction, as is 1/4 of the Universal Trust Fund, which receives the vast majority of allowance value after free allocations wind down from 2025-2035. The other 3/4 of the Universal Trust Fund is used to provide consumer relief through rebates to U.S. taxpayers.

**Figure 2: APA Allowance Allocations**

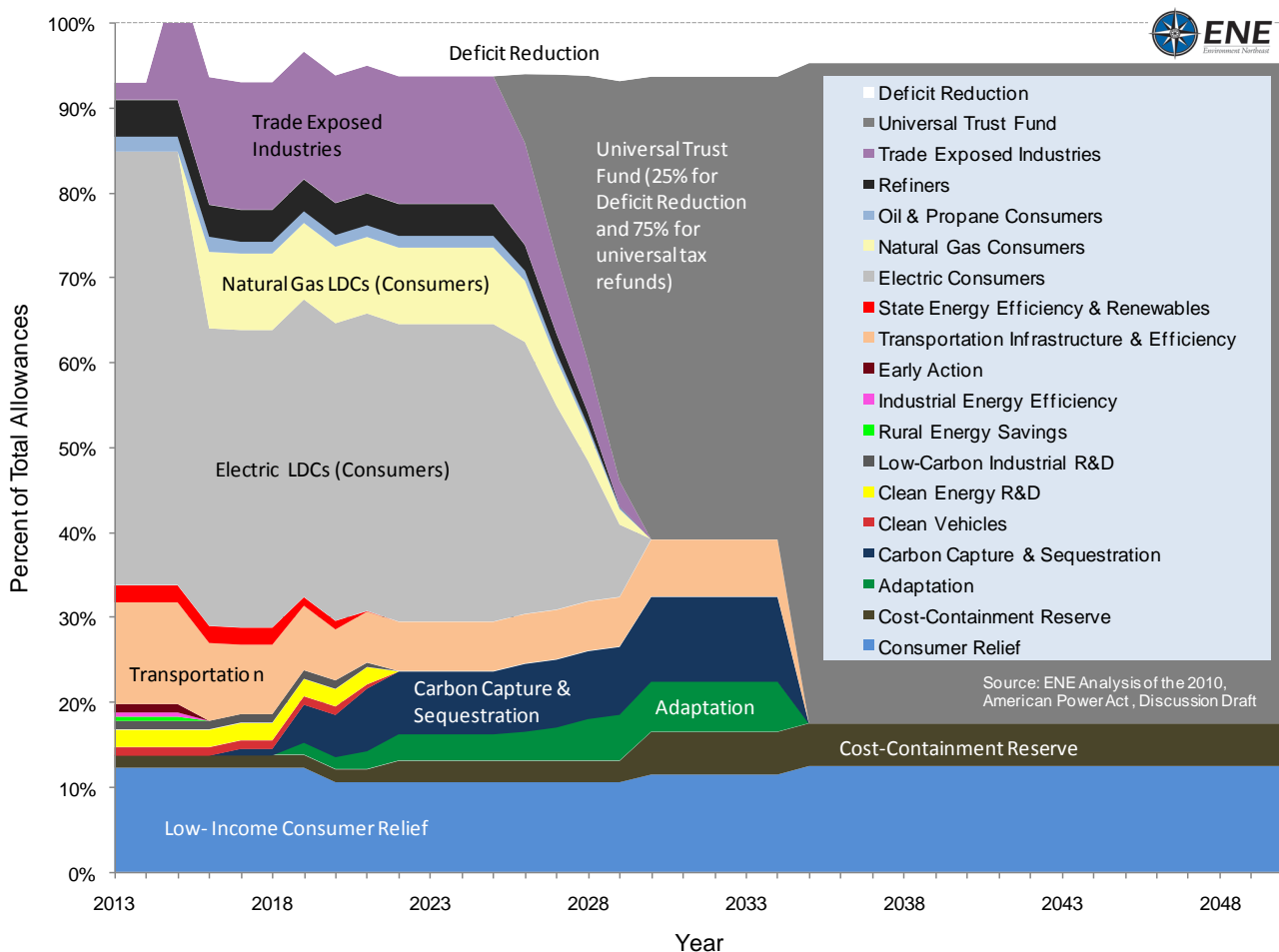


Table 1, below, provides detailed allowance allocation information for all categories over the full period from 2013 through 2050.

**Table 1: APA Allowance Allocations**

Section numbers included parenthetically: CAA refers to new Clean Air Act sections		Consumer Protection										Job Protection & Growth										Clean Energy Technology Development & Deployment										Transportation Infrastructure & Efficiency		Cost-Containment Reserve		Deficit Reduction																																																		
		Oil & Propane Consumers					Natural Gas Consumers					Electric Consumers					Universal Trust Fund					Trade Exposed Industries					Industrial Energy Efficiency					Refiners					Carbon Capture & Sequestration					Clean Vehicles					Low-Carbon Industrial R&D					Clean Energy R&D					State Energy Efficiency & Renewables					Rural Energy Savings					Adaptation Early Action					Transportation Infrastructure & Efficiency					Cost-Containment Reserve					Deficit Reduction				
Year		(CAA 782)	(CAA 783)	(CAA 784)	(CAA 785)	(3204 & 3202(a))	(CAA 774)	(n/a)	(CAA 785)	(CAA 794)	(4111)	(4143)	(1801)	(1603(b))	(1602)	(5005) (CAA 788)	(1712)	(CAA 725)	(CAA 787)																																																																			
2013		51.0%	9.0%	1.9%	12.3%	12.3%	2.0%	0.5%	4.3%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	12.0%	1.5%	7.0%																																																																			
2014		51.0%	9.0%	1.9%	12.3%	12.3%	15.0%	0.5%	4.3%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	12.0%	1.5%	7.0%																																																																			
2015		51.0%	9.0%	1.9%	12.3%	12.3%	15.0%	0.5%	4.3%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	12.0%	1.5%	7.0%																																																																			
2016		35.0%	9.0%	1.9%	12.3%	12.3%	15.0%	0.5%	3.8%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	9.2%	1.5%	6.4%																																																																			
2017		35.0%	9.0%	1.5%	12.3%	12.3%	15.0%	0.5%	3.8%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	8.2%	1.5%	7.0%																																																																			
2018		35.0%	9.0%	1.5%	12.3%	12.3%	15.0%	0.5%	3.8%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	8.2%	1.5%	7.0%																																																																			
2019		35.0%	9.0%	1.5%	12.3%	12.3%	15.0%	0.5%	3.8%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	7.6%	1.5%	3.4%																																																																			
2020		35.0%	9.0%	1.5%	10.6%	10.6%	15.0%	0.5%	3.8%	1.0%	1.0%	2.0%	2.0%	2.0%	0.5%	1.0%	6.0%	1.5%	6.2%																																																																			
2021		35.0%	9.0%	1.5%	10.6%	10.6%	15.0%	0.5%	3.8%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	2.2%	6.0%	1.5%	5.0%																																																																			
2022		35.0%	9.0%	1.5%	10.6%	10.6%	15.0%	0.5%	3.8%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	3.2%	5.8%	2.5%	6.3%																																																																			
2023		35.0%	9.0%	1.5%	10.6%	10.6%	15.0%	0.5%	3.8%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	3.2%	5.8%	2.5%	6.3%																																																																			
2024		35.0%	9.0%	1.5%	10.6%	10.6%	15.0%	0.5%	3.8%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	3.2%	5.8%	2.5%	6.3%																																																																			
2025		35.0%	9.0%	1.5%	10.6%	10.6%	15.0%	0.5%	3.8%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	3.2%	5.8%	2.5%	6.3%																																																																			
2026		32.0%	7.2%	1.3%	10.6%	10.6%	15.0%	0.5%	3.0%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	3.5%	5.8%	2.5%	6.0%																																																																			
2027		24.0%	5.4%	0.9%	10.6%	10.6%	12.0%	0.5%	2.3%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	4.0%	5.8%	2.5%	6.1%																																																																			
2028		16.5%	3.6%	0.6%	10.6%	10.6%	9.0%	0.5%	1.5%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	5.0%	5.8%	2.5%	6.2%																																																																			
2029		8.5%	1.8%	0.3%	10.6%	10.6%	6.0%	0.5%	0.1%	1.0%	0.5%	2.0%	2.0%	2.0%	0.1%	6.0%	6.7%	5.0%	6.3%																																																																			
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