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October 2009

The American Clean Energy and Security Act: summary of REDD provisions

Overview. The American Clean Energy and Security Act (ACES), introduced by U.S. Representatives Henry Waxman (Democrat of California) and Edward Markey (Democrat of Massachusetts) and passed by the U.S. House of Representatives on 26 June 2009, sets progressively tightening legally binding caps on the absolute (total) greenhouse gas (GHG) emissions of large U.S. emitters including electric power stations, manufacturing facilities, and oil refineries. These sources will be required to reduce their GHG emissions 17% below 2005 levels (equivalent to roughly 4% below 1990 levels) by 2020, and 83% below 2005 levels (equivalent to roughly 80% below 1990 levels) by 2050. The bill establishes a system of tradable emission allowances in which emitters are required to hold one allowance for each ton of GHG emitted; allowances are tradable and bankable; and the number of allowances issued annually will be reduced steeply from 2012 to 2050. Supplemental reductions from renewable energy, clean energy technologies, and energy efficiency programs, as well as additional measures from deforestation, would, according to the House Energy & Commerce Committee, provide additional reductions that will lower U.S. carbon emissions 28% to 33% below 2005 levels by 2020 and more than 80% below 2005 levels by 2050.

What terms does the bill set for other nations to gain access to the U.S. carbon market? The bill allows up to 1 billion tons annually of international offsets to come into the U.S. carbon market, with rigorous per-emitter limitations on international offsets. The limit may be increased to 1.5 billion tons if insufficient domestic offsets are available. While international offsets will trade at 1:1 through 2016, starting in 2017 emitters must tender 5 international offsets for every 4 tons of U.S. compliance. According to the Committee, this trading ratio will reduce carbon emissions by up to an additional five percentage points below 2005 levels by 2020. The bill establishes provisions for the inclusion of forest credits as international offsets and as additional reductions, and uses market and non-market funding sources to achieve them.

Forest credits. The bill authorizes the EPA Administrator, in consultation with the Secretary of State and the Administrator of the U.S. Agency for International Development (USAID), to enter into agreements or arrangements with countries on reducing emissions from deforestation. To be eligible for offset crediting, forest nations will have to demonstrate, beginning five years from the start of the program (extendable eight more years in the case of small-emitting and least developed countries), reductions in total emissions from deforestation nation-wide, or in their large-emitting states or provinces, from a baseline that results in zero net deforestation within 20 years. Programs in forest nations must be undertaken in compliance with rigorous monitoring and accounting standards, and in consultation with local communities, indigenous peoples, and other stakeholders. In addition, the bill sets aside 5% of the U.S. allowance pool and directs that allowance value be used to assist tropical forest nations in preparing to participate in this program, preserve existing forest stocks, and achieve supplemental reductions of 720 million metric tons in 2020, and a cumulative amount of 6 billion metric tons by 2025.

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