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## **CLIMATE: Calif. regulators say cap-and-trade should limit free credits (Tuesday, October 9, 2007)**

**Debra Kahn, *E&E Daily* reporter**

The state of California last week delivered a set of [recommendations](#) to the Senate Environment and Public Works Committee in hopes of influencing the federal climate change debate.

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The California Air Resources Board asked the EPW panel to limit free allowances at the start of a national market and phase them out over time. CARB also warned against using price ceilings to temper the cost to industry complying with a cap-and-trade system.

As the state's air regulator, CARB has been charged with implementing the state's landmark greenhouse gas emissions law and has adopted the California EPA's Market Advisory Committee's June recommendations to limit free carbon credits.

While CARB called for at least a majority of credits to be auctioned initially, Senate EPW Committee Chairwoman Barbara Boxer (D-Calif.) continued to throw her weight behind a proposal that would distribute more than half of the credits for free.

Boxer last week said she has drawn several "lines in the sand" that she expects Sens. Joe Lieberman (I-Conn.) and John Warner (R-Va.) to meet in their forthcoming climate bill, to include no pre-emption of state regulations and auction proceeds going to some kind of public fund.

Lieberman has said he and Warner would introduce a formal bill by the beginning of this month. The senators' draft proposal would distribute more than half of the credits for free to the power companies and manufacturers most directly confronted with new requirements.

While Boxer acknowledged the bill would not be perfect, she seems to have placed her trust in Lieberman and Warner to at least start the discussion. "I predict to you that the Lieberman-Warner bill will be a very, very solid bill," she said last

week at a CARB panel discussion on global warming.

Boxer's committee staff director, Bettina Poirier, said Boxer "views the global warming program put together by the California Legislature and governor as the gold standard, and the Sanders-Boxer bill reflects that program."

Boxer and Sen. Bernie Sanders' (I-Vt.) bill leaves the distribution of credits up to U.S. EPA, with a qualifier that any free allocations would, as in Lieberman-Warner, be given to people and companies most affected by global warming and its policies.

Boxer also praised Reps. John Dingell (D-Mich.) and Rick Boucher's (D-Va.) pending economy-wide cap-and-trade proposal, saying it would be better than a carbon tax.

"We need to fit into what is already happening," Boxer said, referring to international emissions markets.

CARB Chairwoman Mary Nichols also pointed out the need for compatibility. "A federal law for any cap-and-trade should not undercut states that wish to experiment," she said.

Boxer also said she is talking to EPA Administrator Stephen Johnson about his pending decision on whether to allow the state to set its own emissions standards in excess of federal regulations but added she is "very, very worried about it."

[Click here](#) to view the California Air Resources Board's recommendations for a federal climate policy.

*Reporter Alex Kaplun contributed to this report.*

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122 C St., Ste. 722, NW, Wash.,  
D.C. 20001.  
Phone: 202-628-6500. Fax: 202-737-  
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