

1 COMMITTEE: Environment  
2 POLICY: Principles for Development of Climate Change  
3 Legislation  
4 TYPE OF POLICY: Existing  
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6 While there exists a diversity of opinion among the National Conference of State Legislatures  
7 (NCSL) membership regarding the need for national limitations on anthropogenic greenhouse  
8 gas (GHG) emissions, Congress and the Administration have indicated a clear intent on  
9 advancing comprehensive energy and climate legislation which includes a cap and trade  
10 program to reduce national emissions. The potential impact of such federal legislation on  
11 state, local and tribal government is immense. As Congress and the administration examine  
12 proposed initiatives and design components for a federal program, NCSL urges the federal  
13 government to take into account the following principles:

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- 15 • Any national system must include short, medium and long-term goals and incorporate  
16 a rigorous oversight program that provide for ongoing study and analysis of the system  
17 to ensure it is achieving intended goals.  
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  - 19 • A new national program should serve to address uncertainties that are hampering  
20 investment in generation, transmission and distribution and enhance the likelihood that  
21 appropriate technologies will be developed and other solutions implemented so as to  
22 achieve the desired reductions in GHG emissions in the most economical manner  
23 possible.  
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  - 25 • In the event that Congress chooses to implement a cap-and-trade program, any such  
26 federal legislation should be designed appropriately to balance competing criteria,  
27 including, but not limited to, equity, economic efficiency and ease of administration.  
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  - 29 • Revenue derived from a cap-and-trade program should be directed to complimentary  
30 policies focused on mitigating climate change consumer costs including but not limited

31 to energy research & development, weatherization, conservation and energy efficiency  
32 activities.

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34 • A national program to reduce GHG emissions must also address adaptation issues.

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36 • Auctioning of allowances may be the most economically efficient mechanism for  
37 achieving a GHG emissions reductions goal. However, the allocation of emissions  
38 allowances at no cost can serve as an appropriate transition measure necessary to  
39 ensure continued reliability, minimize economic dislocation resulting from the carbon  
40 intensity of the existing infrastructure, and allow for development and deployment of  
41 needed new technologies and measures to reduce emissions.

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43 • Priority distribution of allowances at no cost should be to those entities in affected  
44 sectors where existing regulatory structure provides the necessary oversight to ensure  
45 that the value of such allowances is accounted for in establishing price rates for  
46 consumers.

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48 • The allocation of cap-and-trade allowances to states under a federal cap-and-trade  
49 program should include language making decisions related to such allowances subject  
50 to state legislative approval.

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52 • The establishment of any new federal program should include provisions for  
53 transparent reporting and accountability and incorporate the use of third party  
54 verification to ensure reported outcomes are verifiable.

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