Policy on Carbon Market Programs

The Sierra Club recognizes that, of the many identified greenhouse gases, carbon dioxide ($CO_2$) emissions are the primary cause of global climate change. It is essential to establish binding targets for $CO_2$ emissions and to ensure that reductions are made consistent with scientific findings about the levels needed to avoid dangerous climate change. The Sierra Club supports reducing $CO_2$ emissions by at least 2% of baseline (present) emissions per year to achieve a 70% to 90% reduction by 2050.

The United States should adopt a comprehensive climate change strategy, consistent with the U.N. Framework Convention on Climate Change. The strategy must provide a broad array of components to reduce $CO_2$ emissions, including policies and incentives for promoting efficiency, conservation and renewable energy. Putting an adequate fee on pollution from carbon dioxide and other greenhouse gases to reflect their true costs would provide one such incentive. Any strategy must protect natural systems and species and promote environmental and economic justice.

Carbon emission fees will directly establish a cost associated with $CO_2$ emissions. Other market-based programs to establish declining caps on $CO_2$ emissions, sell allowances to specific economic sectors and permit trading of those allowances ("carbon cap-and-auction") may help set market prices for reductions of $CO_2$ and lead to emissions reductions in an economically efficient manner, if they are properly developed and regulated. These programs must be designed so that they contribute to verifiable $CO_2$ reductions and work in harmony with other components of the climate change strategy.

The Sierra Club will consider the following criteria in assessing state, regional and national carbon market programs:

o Adoption of a $CO_2$ baseline and declining cap schedule that substantially reduces emissions over its term, reflecting the best scientific understanding of the climate system and the most rapid possible reduction of emissions to achieve a 70% to 90% reduction by 2050.

o Guidance by the "polluter pays" principle, i.e., all carbon allowances should be auctioned, and trading should be limited to participants in the program to minimize market distortions.

o Inclusion of key program goals to support climate stability, environmental protection, and efficiency and equity among emitting sectors of the economy and energy consumers.

o Sensitivity to environmental and economic justice concerns, such as carbon market systems not causing higher concentrations of pollution in localized areas, particularly in low-income communities and communities of color.

o Funds raised through the auction of carbon allowances are used for public purposes such as energy efficiency, promotion of renewable energy, mitigation of electricity ratepayer impacts, needed infrastructure in impacted communities and job training opportunities in renewable energy generation for individuals working in the fossil-fuel energy generation industry.

o Program design giving priority to $CO_2$ reductions within the trading system, including emitter reductions, end user efficiency improvements, and substitution of renewable resources. Offsets from outside the trading system are additional and limited in quantity, as well as verifiable, certified by independent review, and enforceable. Until more experience is gained and a global framework is established, offsets should not be obtained from biosequestration or from reductions of other greenhouse gases.

o Provision of substantial penalties for market abuses and compensation for damage to the environment and human rights caused within the trading system.

o Accountability to public bodies, transparency, and public involvement.

o Provisions for program modification or termination if performance is not adequate.

Board of Directors, June 21, 2007