



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 23, 2011

### **H.R. 2594** **European Union Emissions Trading Scheme Prohibition Act of 2011**

*As ordered reported by the House Committee on Transportation and Infrastructure  
on September 8, 2011*

The European Union (EU) has established the European Union Emissions Trading Scheme (ETS), a regulatory framework related to greenhouse gas emissions. Starting in 2012, the ETS will cover emissions from air carriers that operate flights within, to, and from EU member states. H.R. 2594 would direct the Secretary of Transportation to prohibit U.S. air carriers from participating in the ETS if it is unilaterally imposed on those air carriers by the EU. The bill would direct federal agencies to conduct negotiations and take other actions necessary to ensure that U.S. air carriers are not adversely affected by the ETS. The outcome of any negotiations between the U.S. government and the EU and the effect of those negotiations on U.S. air carriers are unclear.

CBO estimates that enacting H.R. 2594 would have no significant impact on the federal budget. We expect that the bill would not alter the scope of diplomatic efforts currently underway or federal agencies' costs to participate in those efforts, which are subject to appropriation. The bill would not affect direct spending or revenues so pay-as-you-go procedures do not apply.

H.R. 2594 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). H.R. 2594 would impose a private-sector mandate, as defined in UMRA, if U.S. air carriers would be prohibited from participating in the ETS. The cost of the mandate would depend on how the prohibition is administered by the Department of Transportation. Because information about how the prohibition would be implemented is not available, CBO has no basis for estimating the cost, if any, to U.S. air carriers. Consequently, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$142 million in 2011, adjusted annually for inflation).

The CBO staff contacts for this estimate are Megan Carroll (for federal costs) and Amy Petz (for the impact on the private sector). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.