My general sense is that most environmentalists disfavor federal preemption of state climate change policy making. States have led the way on progressive climate policy during the eight years of federal inaction under Bush, enacting renewable portfolio standards (29 states), greenhouse gas emissions caps (covering more than half the states), utility performance standards (four states), and auto emissions standards (California plus fifteen states set to follow California's lead before Obama announced a stringent new national standard). Many believe states should be rewarded for their climate leadership with continued authority to regulate. Perhaps more importantly, independent state authority is important to retain in the event that the federal government backs away from sufficiently stringent carbon policy or we see political leadership change in Congress or eventually the Executive branch.

But should states retain authority to enact or continue cap and trade programs in the event that Congress enacts a national cap and trade scheme? State cap and trade programs could be meaningful in at least two instances: if they cover more sources or impose a tighter cap than a comparable federal program. Similarly, if federal legislation contains provisions that significantly undermine its effectiveness (a far too generous safety valve or generous borrowing provisions) a more stringent state cap and trade program could produce additional emissions reductions within the state. But will they affect overall U.S. emissions reductions? If a federal cap is in place, then a more stringent cap within a state will simply require in-state sources to meet the state cap without producing any net decrease in U.S. emissions. Why? Because the in-state sources will simply help the rest of the country meet the federal cap more easily, requiring fewer reductions by sources throughout the rest of the country. Thus state cap and trade programs simply redistribute the allocation of emissions reductions and may increase the overall costs by limiting the freedom of a carbon market to distribute reductions efficiently. This is the conclusion of an important paper by Megan McGuinness and A. Danny Ellerman of MIT.

But if states will simply incur a great proportion of costs by enacting their own cap and trade programs with no resulting benefit, why preempt them? No rational state should enact a cap and trade scheme and in-state sources should be able to persuade elected officials not to regulate. So preemption shouldn't be necessary. But if Congress does preempt state cap and trade programs (as the Waxman-Markey bill currently does, see Cara's post here) how much does it matter?