

The Evolving US Policy to Climate Change

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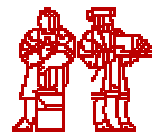
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The Federal Scene

- **Serious discussion is beginning in Congress**
 - 2 serious bills in Senate, another in House
 - Happy consensus that something will happen
 - But disagreement on major design features
- **It will take time; 2010 at earliest**
 - Nature of democratic process in US
 - About 10 years to pass acid rain legislation
- **Not a partisan issue**
 - More regional and interest group conflict
 - Not a priority for Bush; will it be for the next President? Iraq, immigration, health care...

What Seems to be Agreed (Within the consensus)

- **Initial cap and trajectory**
 - **2005/2012 declining annually to -25/30% by 2030 and more thereafter**
- **Phase out of significant initial free allocation**
- **Auction revenue to be used for low-carbon technology, adaptation & low income help**
- **BTA provisions after initial period for non-cooperating major trading partners**
- **All Kyoto GHGs, not just CO₂**
- **New entrant/closure provisions as in EU ETS**

Points of Disagreement

- **Coverage: Transport? Residential?**
 - **Or, CAFE, efficiency mandates, etc.?**
- **What initial level of free allocation and what phase-out?**
- **The Safety Valve vs Borrowing**
- **Foreign Offsets: None or with limits?**
- **Federal pre-emption of State actions**
- **Is proposed use of auction revenue an issue? A major expansion of gov't?**

State Programs: How Real?

- **California: AB 32**
 - Target set and authority granted, but
 - No agreement on what to do
- **RGGI (Northeastern states)**
 - Highly specific proposal, but unconvincing commitment
 - Evolution to 100% auction and energy efficiency/renewable funding mechanism
- **Other States: Mostly Declaratory**
- **Prodding federal action or justifying favored programs?**

Back to The Basic Choices?

- **Is “Command and Control” coming back?**
 - **The traditional & conventional approach**
 - **In addition to...”cost containment”**
 - **Or instead of? The energy security analogy**
- **Taxes: The economists’ long shot**
 - **The unenviable trade-off with allocation**
 - **A revenue-neutral climate tax act?**
 - **Easiest way to deal with regressive effects?**

The Big Issues

- **Will competing priorities, symbolic politics and sacred cows win out over a price on carbon?**
- **Can the regressive effects of a carbon price be dealt with?**
- **Will Americans countenance a major expansion in amount of revenue going through government hands?**

Global Implications

- **Unlikely that global regime can be established without US participation, if not leadership**
- **A US cap clears the way for a Kyoto-like global regime**
- **But, increasing advocacy of a “policies & measures” type regime**
- **US answer won’t be known by Bali or Copenhagen**