

This report is by Barbara Moulton, member of the Advocacy Committee and also the local section of the Citizens Climate Lobby. She presented it to the Advocacy Committee on 8/9/17. It is a very good, short update on what is happening in some parts of the world.

"Advanced Climate Policy Boot Camp" held at American University in June, 2017: A Few Take-Aways, by Barbara Moulton for LWVSC Advocacy Committee, 8/9/17

INTERNATIONAL:

China: 1) China is the world leader in domestic investment in renewable energy and associated low-emissions energy sectors, and is pursuing its "Going Global" strategy in the renewable energy area; seeks and will probably have global dominance in renewable technology, installation and production.

2) China is reducing coal dependence; reducing number of coal power plants it builds; existing coal powered plants are operating below capacity; perverse incentives still encourage continued construction of unneeded coal powered plants.

3) China has experimented with carbon pricing and says it will have carbon pricing nationwide by the end of this year.

Canada: 1) Mandates nation-wide carbon pricing by 2018; provinces without their own pricing system will get the Federal Option. Most provinces already have some sort of carbon pricing, either a tax or cap & trade.

2) One framework for carbon price revenue recycling: Canada's Eco-Fiscal Commission paper, April 2016, argues that different provinces have different priorities for use of revenue, recommends allowing provinces to choose. [See attachment]

UNITED STATES FEDERAL:

Border Carbon Adjustments (BCA): One issue that comes up with carbon pricing schemes is how to, a) protect domestic business from being at a competitive disadvantage *vis-a-vis* competitors in countries that don't have equivalent carbon pricing, and b) avoid pushing polluting activities to countries that may have even fewer emissions controls. Border Carbon Adjustments are a solution, but will they survive challenges under GATT (General Agreement on Tariffs and Trade)? The short answer is that a carbon tax or fee imposed for the public health and welfare, that is designed to correct a market failure, that does not give domestic companies or any particular company an advantage, and that can be applied in a fair and equivalent manner to imports via a BCA can pass GATT muster. It appears more difficult to construct a BCA to balance a Cap and Trade system because of the inherent uncertainties of the costs incurred by those subject to Cap and Trade. For a detailed discussion, see "Design of an International Trade Law Compliant Carbon Border Tax Adjustment," Ross Astoria, 12/17/2015.

The following two items were not part of the Policy Boot Camp discussion, but are known to me from other sources. See links in my email message.

House Bipartisan Climate Solutions Caucus: created in 2016; *equal numbers of* Republicans and Democrats; had 16 members as of January 1, 2017, and has more than tripled since then to 50 members as of July 25.

House Republican Climate Resolution. (21 sponsors, all Republican) Recognizes the seriousness of climate change threats, and says

"...**Resolved**, That the House of Representatives commits to working constructively, using our tradition of American ingenuity, innovation, and exceptionalism, to create and support economically viable, and broadly supported private and public solutions to study and address the causes and effects of measured changes to our global and regional climates, including mitigation efforts and efforts to balance human activities that have been found to have an impact."

STATES:

California: Extension of Cap and Trade: We've had Cap and Trade operating in California in the past few years, but it has been responsible for very little in the way of greenhouse gas (GHG) emissions reductions. See the Calif. Senate Environmental Quality Committee analysis of AB 398, attached.

SB 775 generated significant interest earlier this year. It would have ended free allowances and offsets, set the price floor and ceiling for allowances higher and raise them more quickly. It would have sent an increasingly strong price signal to the market, sufficient to incentivize a shift away from fossil fuels. SB 775 also would have returned the bulk of the revenue to California residents as a "Dividend," which would have protected the public from rising energy costs.

However, what we got was AB 398, AB 617 and ACA 1. Some good things about AB 398 and AB 617 are:

- 1) It was negotiated by moderate Democrats and moderate Republicans, and passed with support from 8 Republicans, which is significant, and part of an encouraging re-emergence of bipartisanship.
- 2) California remains officially committed to using market-based mechanisms to reduce GHG emissions.
- 3) Oil companies, which have typically resisted regulation and carbon pricing, were at the table negotiating about *HOW* they would be regulated, not whether.

Some shortcomings of AB 398 are:

- 1) It was negotiated behind closed with oil companies at the table.
- 2) It carries forward an oversupply of allowances, which can keep the market price depressed and fail to produce GHG emission reductions.
- 3) The use of the revenue is undetermined, and will require a 2/3 majority of both the Assembly and the Senate to appropriate it if ACA 1 (proposed constitutional amendment, which will be on the ballot in 2018) passes.

The California Air Resources Board is given a great deal of power under AB 32 and AB 398; it determines floor prices and number of allowances going forward. Perhaps it will use that power to make the Cap and Trade system more effective. A question is: What will influence CARB to make C&T more effective?

AB 617, among other things, creates expedited schedule for retrofitting polluting facilities in impacted communities with best achievable retrofit control technology; creates community emissions reduction programs for communities exposed to "criteria" pollutants and toxic air contamination; increases civil and criminal penalties for certain types of emissions.

Illinois:

The Future Energy Jobs Bill (SB 2814) was passed after 3 groups, each with their own bill, were pushed to work together to come up with one bill. And they did, with a bill that will generate \$\$ for clean energy and energy efficiency (70%) and to keep nuclear power in the state (30%) instead of shutting it down and ending up with more gas-powered plants; net-metering was kept, although utilities had wanted to dump it; a proposed bailout of uncompetitive coal was scrapped. ["Illinois passes huge, bipartisan energy bill, proves democracy still works. Nuclear plants will stay open and clean energy will flourish." David Roberts, Vox, Dec 8, 2016. See attachment.]

SOME GENERAL POINTS:

Sub-national entities importance:

"In North America, policy capacity looks considerably more robust when shifting from Ottawa and Washington, DC, to provincial and state capitals. Among the ten provinces and fifty states, one finds virtually every form of climate policy now operational in some set of jurisdictions (Burke and Ferguson 2011). "**Climate Compared** Sub-Federal Dominance on a Global Issue DAVID HOULE, ERICK LACHAPPELLE, AND BARRY RABE]

Because climate change is a global problem and because GHGs spread throughout the global atmosphere, it has been assumed that effective action must be at the national or international level. But such action has been elusive, at least until Paris. Counter-intuitively, sub-national jurisdictions have been making significant strides and may drive action at higher levels of government as well. Sub-national entities can craft policies that suit their circumstances and constituents; they tend to be more homogeneous than nations as a whole. More familiarity, transparency and trust make achieving agreement easier than at national level.

Local jurisdictions can reap economic, health and other rewards by taking action: eg British Columbia's economy out performed the rest of Canada after it enacted a revenue-neutral carbon tax, with revenue offset by reductions in personal and corporate taxes. Similarly, California has thrived while being a leader in climate action. And at the local level, Sonoma Clean Power provides consumers with less expensive electricity than PG&E, while fostering new sources of clean renewable energy. Local Community Choice Aggregation arrangements are spreading around the state after starting in Marin and Sonoma.

Submerged State (*invisible or below-the-radar government functions, such as regulation*)

Example: Regulated utilities' rate structures typically reward building power plants by basing rates on capital expenditures (CAPEX) + specified % rate of return, which can lead to construction of plants that may be unneeded (the "CAPEX Bias"). Conversely, current utility compensation formulae fail to adequately value Distributed Energy Resources (DERs) such as small scale wind and solar. Under current system DERs cut into utility business and profits.

Example: "Time Of Use" metering can have perverse effect if it pushes use to off-peak sources that are dirtier.

New York State's "Reforming the Energy Vision" aims to bring energy generation, delivery, regulation and pricing into the 21st century to enhance to shift to clean renewable energy.

TAKE AWAY:

Lack of appropriate reforms can quickly hinder the ability of carbon pricing to incentivize GHG emissions reductions.