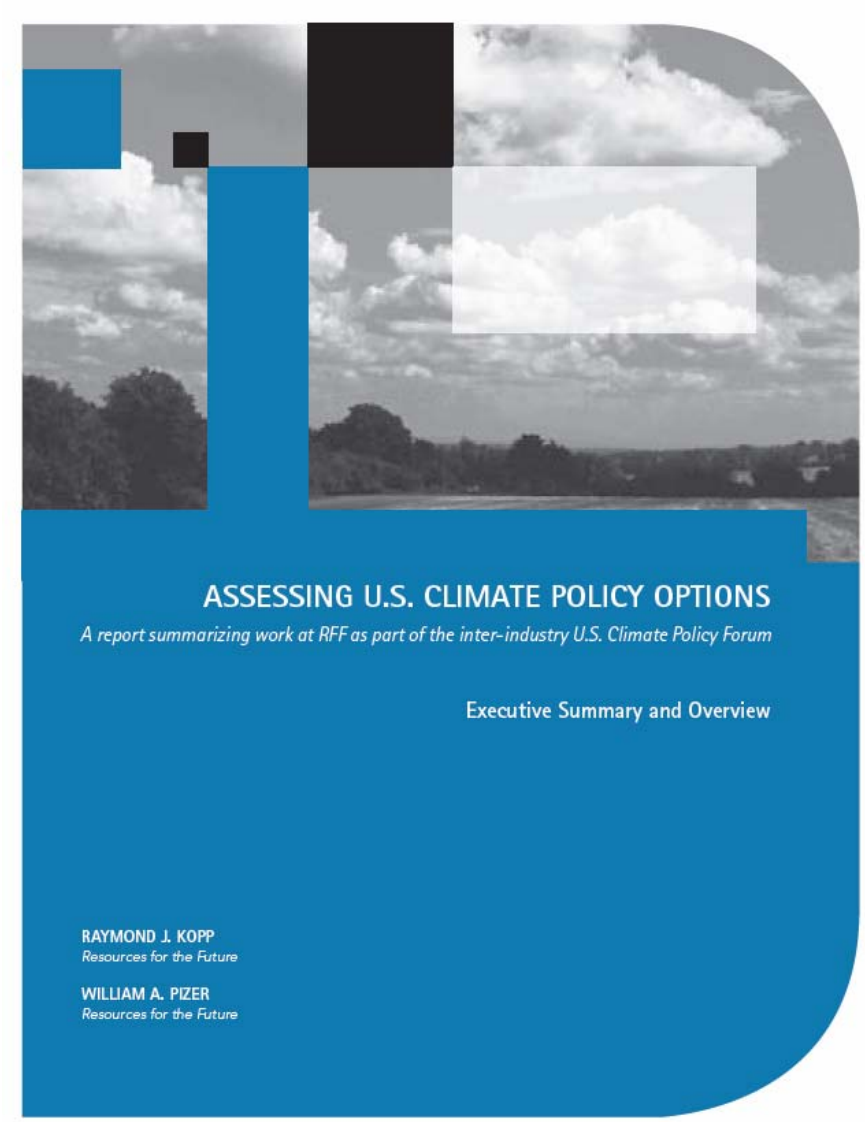

Assessing U.S. Climate Policy Options: Key Takeaways

Ray Kopp

Resources for the Future

February 28, 2008

USCPA UNITED STATES CLIMATE PARTNERSHIP ASSOCIATION

RESOURCES FOR THE FUTURE

Goal & Process

- Goal
  - Respond to Congressional demand for analysis with concise and objective information describing and evaluating climate policy options
- Process
  - Engage a broad cross-section of US industry
  - automobiles and heavy equipment; electricity generation; oil, gas, and coal; transport; agriculture; and chemicals, as well as large energy consumers and financial services

RESOURCES FOR THE FUTURE

Product

Report designed for decisionmakers

- An overview
- 15 issue briefs
  - Each issue brief deals with a separate set of policy options or inter-related issues and is written to be accessible and modular.

RESOURCES FOR THE FUTURE

Balance long-term goals with policy adaptability

Favor polices that

- are adjustable and limit economic disruption,
- are robust over time,
- continually drive emission reductions and new technology, and
- do not lock in particular technologies or political interest

RESOURCES FOR THE FUTURE

Carbon pricing is crucial

- Economy-wide, established through a cap & trade program or a carbon tax
- Incentivizes all opportunities for mitigation
- Is robust over time
- Is adjustable to new information
- Can provide a smooth adjustment path for the economy

RESOURCES FOR THE FUTURE

The role of technology policy

- The private market produces too little R&D
  - providing the rationale for government policy to enhance the pace and magnitude of low-carbon technology R&D
- Private market incentives for technology deployment might be too weak
  - but be cautious of deployment policy tied to short-term political interests and not to market failures

RESOURCES FOR THE FUTURE

Distribution of costs

- Likely to be distributed unevenly across economic sectors, demography, geography, time

RESOURCES FOR THE FUTURE

Climate policy *is* energy policy

- 80% of US GHG emissions come from fossil fuels
- Any energy policy that affects the availability, cost and usability of natural gas, renewable resources, nuclear power, CCS, and end-use efficiency affects the cost and success of any climate policy

RESOURCES FOR THE FUTURE