

The Role of States in Federal Climate Policy

Resources for the Future
February 27, 2009

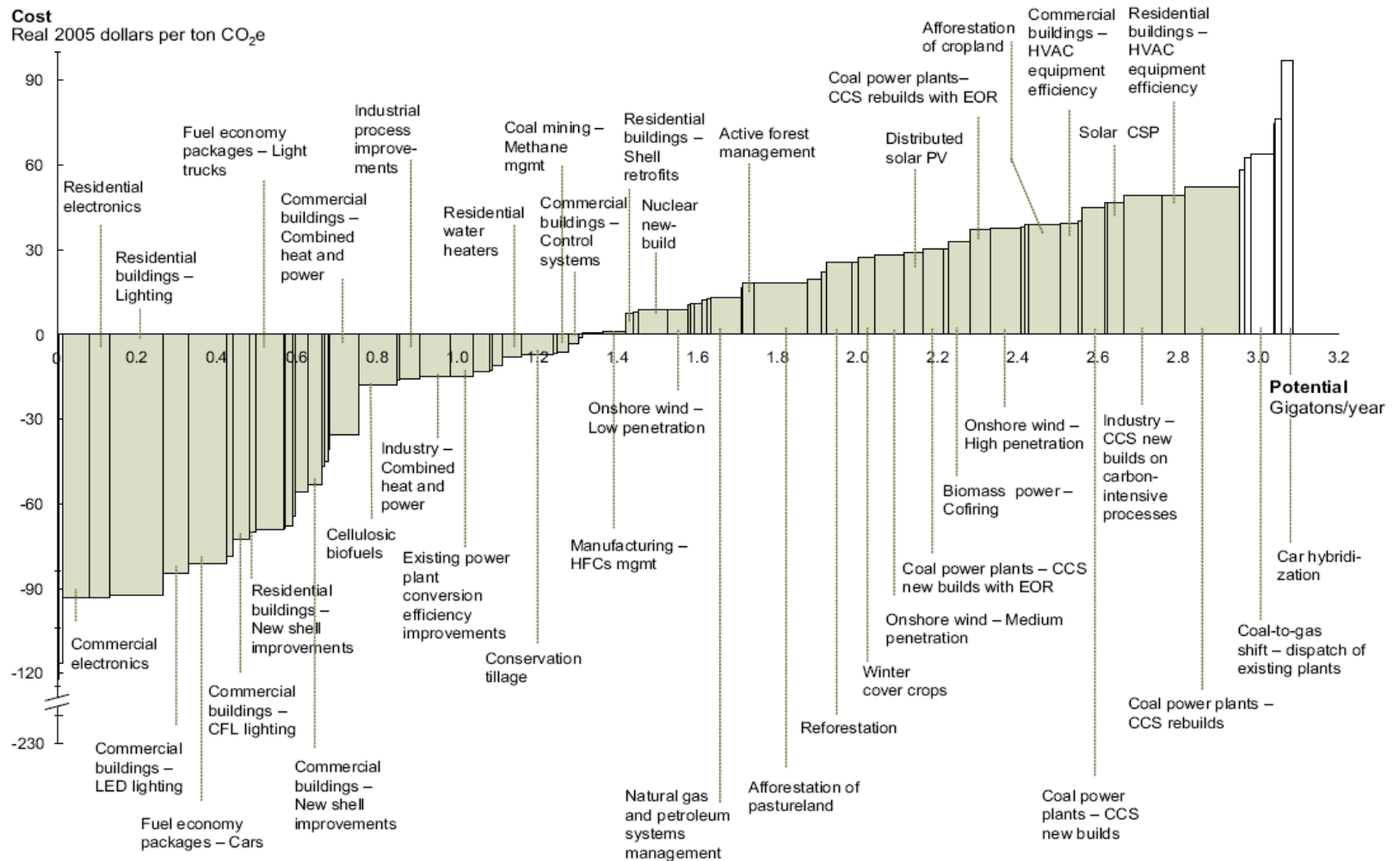


Dale S. Bryk
Natural Resources Defense Council

State Role in Federal Climate Policy

- **Drive investment in least cost solutions**
(efficiency, transit, renewables – JOBS)
- **Essential complementary policies**
(EERS, RPS, smart growth, vehicle & LCFS)
- **Strengthen the cap**
(retire federal allowances)

McKinsey Assessment of 2030 U.S. carbon abatement potential



Driving Investment in Least Cost Solutions

- Price signal of cap or tax
(does not overcome market barriers; most expensive option)
- Allowance revenue
- Essential complementary policies
 - Energy efficiency
 - Renewable energy
 - Vehicles, fuels and VMT
 - Standards for new power plants/CCS

State Directed Investments

- Energy efficiency [JOBS]
 - Electricity
 - Natural gas
 - Other heating fuels
- Design questions
 - Size of investment (~\$25 billion/year)
 - Distribution to utilities and/or states
 - Performance metrics

State Directed Investments

- Transportation and Smart Growth [JOBS]
 - Land use planning
 - Transit
 - Vehicles and fuels
- Design questions
 - Size of investment (~\$10 billion/year)
 - Distribution to states/localities/MPOs
 - Performance metrics

Essential Complementary Policies

- Energy Efficiency
 - Energy efficiency procurement requirements
 - Regulatory framework (revenue decoupling)
 - Codes and standards
- Renewables
 - RPS
 - Deployment incentives
- Transportation
 - Vehicle standards
 - Low carbon fuel standards
 - Land use planning & transit

State Role in Federal Climate Policy

- Substantial role directing investment of allowance value TO CREATE JOBS
- Control over sufficient number of allowances that it is practical to retire some to strengthen cap
- Retain authority for broad set of climate and energy policies
- No pre-emption/ negotiated transition to single C&T