



RFF ON THE MOVE: AN INTERVIEW WITH BILLY PIZER

RFF Fellow Billy Pizer recently returned from a one-year stint at the White House Council of Economic Advisers, where he served as a senior staff economist, a position that has been held by several other RFF researchers. Resources caught up with him to find out what the experience had been like.

RESOURCES: WHAT DID YOU WORK ON WHILE YOU WERE AT THE COUNCIL OF ECONOMIC ADVISERS (CEA)?

PIZER: I mainly focused on climate change issues. One of the interesting things about this position is it's different every time; a lot depends on what's going on. Shortly after coming into office in January 2001, President Bush rejected the Kyoto Protocol, saying that it didn't serve U.S. interests. In June 2001, he gave a speech in the Rose Garden, where he talked about how America remains committed to the framework of climate change, with policies that emphasized science and technology. After I came on board, the focus shifted to development of a mitigation policy.

I worked closely with the staff at the Council of Environmental Quality, which was tasked with developing policy options that were then run through the Cabinet-level working group, which in turn offered recommendations to the president. This is where the idea arose for a



Billy Pizer

goal for curbing greenhouse gas intensity instead of absolute emissions. The group studied a range of possible targets, including the eventual choice of an 18% intensity reduction over the next 10 years. Finally, there was the idea that firms and individuals that demonstrated real reductions should be issued transferable credits for those reductions, which could be used against some future obligation.

RESOURCES: RFF RESEARCHERS WERE AMONG THE FIRST TO PROMOTE MARKETS FOR TRADING EMISSIONS CREDITS. HOW WOULD YOUR PROPOSED MARKET FOR INTENSITY REDUCTION CREDITS WORK?

PIZER: The first question is what the demand for these things will be—there's no policy in place now that requires people to hold these credits. However, there is a real possibility that some sort of cap-and-trade or mandatory mitigation program will be put in place in the future and companies will face significant obligations. Consequently, companies will have an incentive to buy these credits now when they're real-

ly cheap—providing a kind of insurance against future climate change policies. If there is some mandatory policy in the future, the credits will appreciate in value.

Our program would be based on a voluntary reporting scheme that is part of the Department of Energy's 1605(b) program, labeled that way because it's part 1605(b) of the Energy Policy Act of 1992. The current 1605(b) program has focused on flexible participation—allowing firms to record their emissions reduction activities in a variety of ways that have sometimes sparked criticism. For our purposes, the program would need to be made a lot more credible and verifiable before it can be the formal basis for credit generation.

RESOURCES: WHAT'S THE STATUS OF THE PROPOSAL?

PIZER: An interagency working group met regularly over the past few months to discuss ideas for reforming the program. There also were outreach efforts, including soliciting public comments and issuing a formal notice of inquiry. The Secretary of Energy recently issued recommendations to the president regarding principles for the program and a proposed implementation schedule. If all goes forward



as planned, the program may be up and running by the end of 2003. (Note: The recommendations are available at www.energy.gov/HQPress/releases02/julpr/pr02136.htm, accessed July 22, 2002.)

RESOURCES: WHAT ARE THE PROS AND CONS OF THIS APPROACH?

PIZER: A significant advantage is that this program could be implemented solely through administrative actions without involving Congress at all. The disadvantage, for many people, is that the program is strictly voluntary, with no mandatory reductions. But everything is a signal, you have to interpret these actions and act accordingly.

RESOURCES: HOW DID YOUR RFF BACKGROUND PARTICULARLY CONTRIBUTE TO YOUR WORK AT CEA?

PIZER: I came in well prepared for the climate change work, having covered this issue from a lot of different vantage points. And I greatly

benefited from the wisdom of people like Dick Morgenstern, Mike Toman, Ray Kopp, Richard Newell, and others. These people really helped me form my ideas and opinions about how an emissions trading system would function.

RESOURCES: WHAT WILL YOU TAKE AWAY FROM THE EXPERIENCE? WHAT ARE YOU GOING TO DO NOW THAT YOU'RE BACK?

PIZER: It has been an invaluable experience learning how all these clever theoretical ideas you have about prices and quantities, or the upstream regulation of carbon dioxide, mesh with technical and political constraints and don't always turn out to be possible. What I've come away with is a much greater appreciation for the policymaking process and an awareness of the need to consider the state of technical knowledge about a given area, the stakeholders, their experience with market mechanisms, and so on. Now that I'm back, I'm going to need to rebalance my research portfolio. I'm very interested in thinking

about what you have to do to make these complex policy ideas more practical.

And I'm very interested in what we at RFF can do to better inform public discourse. One of the things you don't ever realize until you're on the flip side of the news is how misinformed the media can be about environmental issues. I would read articles about issues where I had first-hand knowledge of what was going on and what the policy was really about. Even stripping away all the political rhetoric on both sides, reporters still struggle to get the facts right.

I think there is really a valuable role for RFF to play as broker of information, explaining both sides of a problem. We have the capacity to present things in a more objective way because we don't lobby and we don't raise money based on the positions we hold, which is how everybody else does it. ■



Each year, RFF invites a number of students to spend the summer as research assistants. Pictured here are this year's interns.

Front Row (l-r): Jacob Weddle, Michelle Boisseau, Lara Vallely, Amy Lamson, and Kenji Takahashi

Back Row (l-r): RFF Division Director Mike Toman, Kit Rogers, Greg Rafert, RFF Vice President for Programs Ray Kopp, RFF Division Director Jim Boyd, Chunxiang Li, Sofia Franco, and RFF Division Director Alan Krupnick

RFF FELLOW AWARDED FULBRIGHT SCHOLAR GRANT

RFF Fellow Carl Bauer was awarded a Fulbright Scholar Lecturing/Research Grant, to be used at the National University of Cuyo, in the city of Mendoza, Argentina, in Spring 2003.

The research component of the grant is titled "Water and Power Markets in the Southern Cone," and will allow Bauer to pursue the Argentine portion of his continuing comparative research on water law and policy in Chile, Argentina, and the United States.

The lecturing component is titled "Comparative Law and

Economy of Natural Resources and Environment," and calls for Bauer to teach a seminar on his area of research, focusing on water law, policy, institutions, and political economy in Latin America and the United States. He will also give invited talks at other Argentinian universities during his stay.

Fulbright grants are funded and administered by the U.S. government to encourage international academic exchanges.

RFF SCHOLAR HONORED

RFF University Fellow and Visiting Scholar Wallace Oates was recently awarded the Holland Medal by the National Tax Association for his "distinguished lifetime contributions to the theory and practice of public finance." His research focuses on the role of different levels of government in fiscal and environmental regulation. He also works extensively on environmental economics, in particular the use of economic incentives for environmental protection. He is a professor of economics at the University of Maryland—College Park.



REACHING OUT

RFF researchers continue to bring their work to the world at large. The following is just a sample of RFF outreach efforts over the past few months.

RFF figures prominently in the July 6 *Economist* special survey on the global environment. Several researchers spoke to author Vijay Vaitheeswaran and **Paul Portney** was quoted directly.

RFF Senior Fellow **James Boyd** recently contributed to an Environmental Protection Agency (EPA) Science Advisory Board report, *Underground Storage Tanks (UST) Cleanup and Resource Conservation and Recovery Act (RCRA) Subtitle C Program Benefits, Costs, and Impacts Assessments: An SAB Advisory*. The report evaluated EPA's methodology for assessing the social benefits of the Underground Storage Tanks UST cleanup program and RCRA Subtitle C, which regulates landfill management.

David Simpson presented a paper on "Cost Effective Conservation" at the recent BioEcon research consortium meeting in Rome, which was funded by the European Union. He also participated in a conference at the Kiel Institute for World Economics on

globalization and the world economy, where he discussed a paper on biodiversity and globalization by Columbia University's Geoff Heal.

Richard Newell chaired "Lessons Learned: Private Sector Experiences with Reducing Energy Intensity," a session on private sector experiences with energy efficiency investments at the U.S. Department of Energy's "E-Vision 2002: Shaping Our Future by Reducing Energy Intensity in the U.S. Economy" conference.

Majid Ezzati gave a presentation at a recent National Institutes of Health-sponsored meeting on the health issues of aging populations in developing countries. Ezzati also gave two presentations at the recent World Bank-sponsored session on developing-country issues at the recent "Indoor Air 2002" conference in Monterey, CA. The first was on greenhouse gas implications of household energy use in developing countries based on the results from his research in Kenya; the second presentation was on the health implications.

Dallas Burtraw discussed his work on multi-pollutants with reporters from the *New York Times*, the *Economist*, *Fortune*, *Inside*

EPA/Clean Air Reports, *Natural Gas Weekly*, *Greenwire*, and the *Dow Jones News Wire*.

Alan Krupnick had several discussions with the *Washington Post's* Dan Morgan about the Clean Air Act, the Bush administration's Clear Skies Initiative, and the New Source Review program.

At the invitation of the Pan American Health Organization, **Richard Morgenstern**, consulted with Mexico's Secretary of Health on environmental health issues.

Elena Safirova was interviewed by Liz Halloran, a columnist with the *Hartford Courant*, on her "slug lines" project. In a project with Winston Harrington, Safirova is studying a unique transportation phenomenon: commuters pick up strangers at designated locations in order to satisfy the requirement for using "high-occupancy vehicle" highway lanes. The researchers are trying to uncover why slugging occurs so far only in Washington, DC, and Oakland, CA.