

RFF Releases Major Climate Policy Report

RFF recently released a major new report, *Assessing U.S. Climate Policy Options: A report summarizing work at RFF as part of the inter-industry U.S. Climate Policy Forum*, informed by a year-long dialogue between RFF researchers and business leaders from 23 companies that represent a broad spectrum of the U.S. economy.

The purpose of the report is to provide decisionmakers and stakeholders with concise and objective information describing and evaluating issues—and options for addressing those issues—related to the design of domestic greenhouse gas (GHG) mitigation policy. Already, the findings helped inform the recent Energy Bill and were presented in Bali, at the Conference of the Parties in December.

RFF Senior Fellows Raymond J. Kopp and William A. Pizer organized the U.S. Climate Policy Forum in May 2006 to analyze and make findings regarding policies to address global climate change. Written entirely by RFF scholars, the report encompasses 15 issue briefs, detailing policy questions and concerns in key areas

related to GHG emissions and legislative proposals to curb them. The structure of the report, which was established before any writing began, was based on needs and priorities identified in consultation with Senate and House members and staff, former staff from relevant executive-branch agencies, NGOs, and corporations.

"The Climate Policy Forum process marks a departure from how research projects are typically carried out at RFF," said Pizer. "We first consulted the end users about what material and format would be most useful. We then spent over a year talking to the folks directly affected by proposed regulations to understand the questions they face. We purposefully sought out companies from a range of industries, from financial services to power generation to automobile manufacturing. We were interested in the breadth of their issues, while the companies in turn were interested in hearing from both their competition as well as their downstream customers and upstream suppliers."

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At the report launch, Kopp outlined the five key take-away points in the report:

"First, domestic policy design must balance competing interests of the environment and economy, as well as the desire for clear versus adaptable goals. That is, it must incorporate a reasonably clear long-term vision to aid investment planning, while at the same time being flexible and adaptable as new information becomes available over the next several decades.

Second, carbon pricing is a necessary foundational element of mitigation policy. Whether established through a cap-and-trade program or a carbon tax, carbon pricing is robust over time, adjustable in response to new information, and can provide a smooth adjustment path for the economy.

Third, while carbon pricing makes a reasonable cornerstone for mitigation policy, a properly designed policy that accelerates low-carbon technology R&D can lower mitigation costs. However, technology policies as a substitute for carbon pricing can, in fact, raise mitigation costs.

Fourth, there is no free lunch—GHG mitigation will entail costs. These costs will be higher in some regions of the country, in some industries, and over some periods of time, compared to others.

And finally, it makes little sense to continue to think about the formulation of energy policy and climate policy as separate activities. Energy policy can work to support, as well as inhibit, climate policy."

While these points represent overarching themes in the report, the real contribution of the report is the issue briefs, said Pizer. "The true test of whether this exercise was successful will be whether Congressional staff and other stakeholders go back to these briefs as a reference in the months and years to come. When suddenly someone needs to know what to do about agriculture in the context of climate policy—we hope they'll turn to issue brief #13 in the report—and the same thing for the other 14 briefs." ■

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