

**Climate Change, Cap-and-Trade,
Renewable Electricity and Efficiency
Mandates: How Do They Fit Together?**

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June 12, 2009

1. *Get the language right: “Complementary” is the wrong term!*

- RPS, energy efficiency, CAFÉ, etc. are not “complementary” to cap-and trade, taxes
- “Substitute” means to same end
- Exception: New transmission to wind, solar areas

2. *If we had cap and trade or taxes, we wouldn’t need to be here*

- Let the market take care of it
- Which technologies are best?
- Fuel switching vs. conservation?
- Neglecting CAT, tax differences here

3. *Why can't we get it right?*

- Grant that cap-and-trade is like a tax
- Impossible to discuss taxes rationally
- Call it “atmosphere dumping fee”
- Just like landfills, except no one can own atmosphere; no competition

4. *Adopting substitute “RPS + efficiency” misses opportunities*

- Misses fossil fuel switching
- Misses residential, commercial heating
- Misses industrial use
- Misses transport (mass transport, mileage)
- Misses electricity/transport tradeoff

5. What to do in the Nth best world?

- Set RPS at level we'd get if carbon priced right
- Not quite right; fuel still too cheap

6. Including efficiency has advantages

- With same baseline, becomes equivalent to “fossil fuel permit” trading (with \$25/MWh safety valve)
- Misses right fossil fuel mix
- Hydro? Nuclear?

7. Baseline a HUGE problem

- Baseline affects RPS obligation
- Incorporate weather, production, building area
- Count only those attributable to retailer action!
- Litigation on compliance inevitable!