POSSIBLE CLIMATE STRATEGIES FOR A ROMNEY PRESIDENCY

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THE 2012 ROMNEY CLIMATE POLICY POSITION

- It is worded differently in different places: “I don’t think a convincing enough case has yet been made to justify the costs of either a cap and trade system or a carbon emissions tax. I am willing to change my mind if there is new evidence.”

- A pretty nuanced position. Particularly the word “yet.”

- I will examine two kinds of decisions:
  - Things he can do by executive order to increase his information base and thus increase his future options
  - The events that may cause him to “pivot” to having a bipartisan Presidential Commission recommend legislative options
FIGURE 1: THE "FOUR BATHTUBS" DIAGRAM OF CLIMATE CHANGE ECONOMICS

Mitigation (damage reduction) categories:
Adaptation
Vegetation and forestation options
Ambient CCS
Ocean absorption
Climate engineering

Abatement (damage prevention) categories:
Fossil energy conservation
CO2 abatement at source
Renewables
Abatement of deforestation
Abatement of other GHGs
Abatement of black carbon

CO2 emissions
(Net of abatement by conservation, renewables & source CCS)

Deforestation loss of absorption

Ambient CO2
levels

Vegetation mitigation and ambient CCS
Ocean absorption mitigation
Uncertainties??

Ambient CO2
Radiative forcing
Other GHGs
(Net of abatement)
Solar radiation uncertainties??
Climate engineering

Solar radiation uncertainties??
Black carbon

Greenhouse effects
Climate changes
(sea levels, temperature, storms, arctic ice)
Climatology unknowns ??

Climatology uncertainties??

$ Monetary effects
$ Climate change damages
$ Net economic damage
$ Adaptation
EARLY ORGANIZATIONAL CHANGES THAT CAN BE IMPLEMENTED BY EXECUTIVE ORDERS

- Transfer the function of estimating the health effects of global warming pollutants from EPA to the Dept. of Health & Human Services

- Create an Office of Pollution Impact and Damage Assessment within the Bureau of Economic Analysis of the Dept. of Commerce and have them initiate damage and adaptation studies for all global warming pollutants

- Policy decisions would still remain with EPA

- Changes in U.S. foreign policy positions:
  - Request that AR5 from the IPCC include study of Black Carbon
  - The Green Global Fund should focus on adaptation options
  - Initiate discussions with the World Bank and regional development banks to integrate climate damage insurance options into development finance decisions
REQUEST A BROADER CLIMATE CHANGE ASSESSMENT
BY THE NATIONAL ACADEMY OF SCIENCE

- Such a study would provide competition and/or validation for the conclusions coming out of the IPCC AR5 review.
- Such a study might provide a basis for modifying EPA’s previous “endangerment finding” for carbon dioxide.
- It could fund original research that could increase our information base on climate change pollutants other than carbon dioxide.
- All the resources of the National Oceanic and Atmospheric Administration could be made available to the study.
- The IPCC is essentially a “consensus striving” operation, which has to give consideration to scientists worldwide, regardless of their professional standing.
- Some competition to the IPCC would be a good thing.
THE WORLDWIDE IMPORTANCE OF BLACK CARBON (SOOT)

- Black carbon causes 3 types of damage:
  - As much as 25% of the radiative forcing of all pollutants (Ramanathan and Carmichael)
  - When it deposes on snow or ice, it raises temperature and accelerates melting (climate damage)
  - When ingested, causes nasty health effects

- The atmospheric residence time of black carbon is between a few days as a few weeks. The geographic transport is highly variable. A few miles under quiet weather, to several thousand miles if it is driven by winds in the upper atmosphere.

- The U.S. only accounts for 5.1% of world black carbon emissions, and U.S. mobile sources account for 52.8% of U.S. black carbon emissions. EPA’s reaction has been to regard U.S. black carbon reduction as a byproduct of other regulation of motor vehicle fuel economy.

- Other nations (including China and India) give a much higher priority to black carbon abatement (from diesel engines, cookstoves and biomass burning). Shrinkage of the Himalayan glaciers and the rivers they feed may be partly due to black carbon.

- Black carbon is an aerosol rather than a GHG, so these nations are given no credit under Kyoto for any efforts to reduce black carbon.

- The low priority that the U.S. assigns to black carbon is harmful in achieving more international cooperation on global warming policy.
The general Romney position in the 2012 campaign is to reduce the marginal rates of all taxes by limiting exemptions and deductions.

The FY 2012 revenue from the Corporation Income Tax is about $329B.

The revenue that would be raised from a $30 per metric ton carbon tax is about $116B.

So, maybe the two things could be combined.

Timing problem: The CIT reduction will come up early in a Romney administration, whereas consideration of a carbon tax, if it happens at all, would not be until 2015 or 2016.
INTEGRATING CLIMATE ADAPTATION, PUBLIC INSURANCE AND PRIVATE INSURANCE

- Order an update of 2010 Interagency Task Force Report on Climate Adaptation, such study to include:
  - Potential changes in USDA crop insurance to reflect greater future climate damage risks
  - Same for FEMA flood insurance programs
  - Draw upon some of the “contingent liability” features of the Price-Anderson Act

- Include study of mechanisms to improve integration of public sector and private sector insurance relevant to climate change

- Include study of mechanisms to improve integration of federal, state, and local insurance programs relevant to climate change

- The areas of the world most vulnerable to climate change damage are also the areas that have the least developed insurance institutions. Insurance development needs to be more integrated into all forms of aid to LDCs
The “pivot point” is the point in time when a Romney Administration would have to decide whether to go beyond the above-discussed Executive Order type of actions (for example, to form a bipartisan Presidential Commission to recommend legislative options for climate legislation).

What kinds of things might trigger the “pivot point”?

- Accelerated global warming
- If the Democrats somehow can make political hay in the 2014 Congressional elections about Republican “inaction” on climate policy
- If, somehow, much more international pressures are brought to bear for U.S. action

Are these kinds of pressures very likely. NO
BUT WOULD MITT ROMNEY THE PERSON WANT TO “PIVOT” FROM HIS CURRENT POSITION?

- My many liberal friends think that Romney is such a neanderthal conservative that he would never want to do anything on climate policy.

- My personal interactions with Mitt Romney:
  - Hour long interview in 1988 for my book *Venture Capital Financial Analysis*
  - Conversations and panel discussions at meetings of the Western Association of Venture Capitalists

- My own conclusion about him: He is an incurable “policy wonk.” He loves to take on puzzles and challenges that others can’t do. Compared to Mitt Romney, Bill Clinton was a wuss! I doubt if, as President, he will care much about what conservatives think of him. He will care about getting re-elected.
An important new book: Dieter Helm, The Carbon Crunch: How We Are Getting Climate Change Wrong—and How to Fix It (Yale University Press, October 2012) He is an Oxford University professor of economics

- He makes a very convincing case that EU policies (the ETS plus massive subsidies to wind farms and solar panels) have been worse than doing nothing at all.
- He congratulates the U.S. for having the good sense to do nothing (at least at the federal level) rather than cap and trade.
- The reason is that “carbon leakage is a much bigger problem than previously thought. If the ETS or a carbon tax makes production or export more costly in OECD countries, that just pushes that production to countries that have much higher carbon intensive production.
- Cap and trade or carbon taxes would only work if they were accompanied by “border adjustments” (apparently OECD penalties on imports, proportional to the carbon content of the imports).
- Unfortunately, any real world system of “border adjustments” would require institutions and analytical capabilities beyond what would ever be possible.
WHAT I THINK WILL HAPPEN

- I don’t think new federal carbon law will happen, because events will preclude implementation of a “pivot point” (thus no Presidential Commission or legislative agenda for climate policy):
  - If the current 16 year “lull” in global warming continues, the whole public rationale for global warming policy will weaken
  - As more evidence of the failure of EU climate policy accumulates, there will be less support in the U.S. for imitating those kind of approaches, particularly cap and trade

- “Green energy” investment tip from a energy venture capitalist:
  Invest in the stock of Babcock and Wilcox
  - Modular nuclear power plants in 180MW chunks, passive safety systems
  - The Obama Administration is providing loan guarantees for the demonstration plants
  - Will look more attractive to regulatory commissions once they realize the full impact of Resource Portfolio Standards on electricity bills