

Comments to the California Air Resources Board Regarding EPA Clean Power Plan Regulations

Thank you for this opportunity to submit comments regarding the Environmental Protection Agency's Clean Power Plan also known as Section 111(d) of the Clean Air Act. My name is Harold Ferber and I am a member of the Sacramento Chapter of Citizens Climate Lobby. We are an organization of 197 chapters and over 7100 members throughout the country. We support completely the goal of the proposed EPA regulations to reduce carbon dioxide emissions from existing fossil fuel power plants and we believe that a Revenue Neutral Carbon Fee and Dividend (F&D) solution should be explicitly recognized as one option for states to meet their regulatory obligation.

We commend the EPA for seeking to meet its regulatory aims by providing the states with the flexibility to determine the best way they can meet the proposed goals applicable to each state. It has long been known that the states can function as experimental laboratories providing empirical experience with proposed programs which can provide an evidentiary basis for implementing such programs on a national level. We believe the proposed EPA regulations provide a unique opportunity for comparing different solutions for reducing the generation of carbon dioxide emissions. We believe the regulations as currently proposed promote solutions based on the cap and trade (C&T) model. We urge that states explicitly be given the option of developing solutions based on the F&D model.

This model encompasses several components including the following:

- A fee on the carbon content of fossil fuels, oil, gas and coal, levied at the point of extraction, i.e. the well head or mine
- The fee would start at \$15 per ton and increase \$10 per ton each year for ten years.
- All funds collected would be returned to all state households based on a standard calculation for a family of 4. We believe this will result in two thirds of state households receiving enough money to equal or exceed increased gas and electricity costs associated with the fee.

There is a recent study by the Regional Economic Modeling, Inc. (REMI), a highly respected, non-ideological, non-partisan economic modeling firm that sought to determine the economic impact of a national F&D program. It was very similar to the program described above with the major difference being that the fee increased \$10 per ton each year for 20 years, not just 10 years. Also, there was provision for a border adjustment for imports from countries that didn't have an effective method for putting a price on the carbon content of its products. In that case the fee would be applied to such imports so as not to provide a competitive advantage to such imports as against domestic products and also to encourage these countries to develop their own version of a carbon fee. The results of this study were very encouraging.

As opposed to concerns that any solution to reducing carbon dioxide emissions would harm the economy and have a negative impact on jobs, this study found the opposite. It found the following:

- An additional 2.1 million jobs would be created in the first ten years
- An additional \$70-90 billion would be added annually to GDP after the first five years

- A 33% reduction in carbon dioxide emissions from baseline after the first ten years
- A 52% reduction in carbon dioxide emissions from baseline after the first 20 years
- After ten years up to \$400 billion would be generated in carbon fee revenues resulting in \$200-\$400 monthly dividend checks for a family of four
- Electricity generation from coal phased out after 10 years and an annual reduction of 13,000 premature deaths due to a reduction in our reliance on coal fired power plants.

At CCL we believe that there are a number of important things that F&D accomplishes including the following:

- Internalizing to the fossil fuel industry the costs associated with the negative impacts of burning fossil fuels. Currently these costs are generally borne by taxpayers as opposed to the fossil fuel companies. As our advisory board member George Schultz has stated to the WSJ and the US Congress, energy providers should simply pay the “full cost” of their product.
- Leveling the playing field between fossil fuels and renewables and other low carbon alternative forms of energy
- Providing incentives for individuals, businesses and industry to become more energy efficient
- Providing incentives for the investment community to channel investment funds away from fossil fuels and towards renewables and other sources of low carbon energy.

Currently the cost of fossil fuels are more competitive than the cost of renewables and other low carbon energy alternatives. CCL favors the ending of subsidies for all sources of energy, including fossil fuels. If fossil fuel companies are required to bear the costs of the negative impacts which they cause and if they lose the vast amounts of government subsidies they have enjoyed, then renewables and other low carbon energy sources will be more than competitive against fossil fuels. This sets the stage for the encouragement of energy efficiency and the flow of investment funds towards renewables and other low carbon energy sources. Finally, as fossil fuels become increasingly costly this should incent the flow of funds into research for alternative low carbon energy sources to ensure we have sufficient supplies of energy to meet the needs of our growing economy.

Although F&D is an economy wide solution, much like C&T is an economy wide solution, we believe the benefits noted above will translate into measureable impacts at the Electric Generating Unit (EGUU) level. Stated in Best System of Emission Reduction (BSER) terms we believe that F&D facilitates all four of the building blocks used to set emission targets. That is, it encourages making existing coal fired EGUs more efficient; it encourages increasing usage of lower-emitting EGUs; it will increase the use of zero and low-emitting power sources; and it will increase demand side energy efficiency.

We fully support the government’s use of the regulatory process to achieve reductions in greenhouse gas emissions. However, we also recognize that for even greater reductions to occur solutions that can receive bipartisan legislative support are necessary. As a practical matter this means solutions must attract conservative republican support. We believe that F&D is such a solution for the following reasons:

- Conservative/Republican economists like George Schultz, Greg Mankiw, Arthur Laffer and Henry M. Paulson have come out in support of it because they believe it is the most efficient and least economically disruptive solution for reducing carbon dioxide emissions.
- Since all funds collected go back to households, this does not expand the size of government
- It can be implemented without creating new large bureaucracies or complex regulatory schemes. We know how to measure the carbon content of a ton of coal, oil and natural gas and on the state level the state taxing authorities already send out checks to vast numbers of households.
- It does not pick winning technologies, rather it allows the free market to find the most efficient and cost effective ways of reducing carbon dioxide emissions
- It can be viewed as representing a compromise between the democrats favoring a fee to be paid by fossil fuel companies and republicans favoring a revenue neutral solution that relies on the free market.

By explicitly including F&D as an acceptable alternative for states we accomplish two things. First we gain valuable experience with F&D in this country which may help us fine tune this solution if we ever decide we would like it to be a national solution. Second, we can collect empirical data comparing this solution, C&T and other forms of regulation to help us decide which might be the preferred nationwide solution if we want to move in that direction.

Finally, Thomas Friedman interviewed President Obama on an episode of the climate change series Years of Living Dangerously, broadcast on June 9, 2014. He asked the President “What is the one thing you could do to advance the climate change issue?” President Obama responded “Put a price on the cost of carbon emissions.” We believe there is no more direct way of putting a price on carbon emissions than by a revenue neutral carbon fee.

Thank you very much for allowing us the opportunity to provide these comments

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