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Sol-u-tion: the act of solving a problem

coolstate Sierra Club Climate Action

Marketplace solutions to fighting global warming: invest in clean energy, reduce pollution

Washington State can take the lead on the fight against global warming and reach our goal to reduce greenhouse gas emissions 80% below 1990 levels by 2050. We can recharge our economy and lead the world into a stronger economic future by investing in a clean, efficient energy economy that creates jobs here at home, saves regular families and businesses money, and makes America energy independent. Instead of giving tax breaks to the oil companies that profit as gas prices skyrocket, we should work to help American small businesses succeed, including wind and solar companies.

Right now, carbon dioxide pollution – the main greenhouse gas – blows away in the wind, so there's little incentive to reduce it. If we put a price those emissions – like we do for electricity and water – we will be less likely to waste it and can generate money to invest in a clean energy future. Here are some ways to do that, and what we think will work best.

Carbon reduction – three approaches

- *Cap and Auction*: First, the government sets a firm cap on total annual carbon dioxide emissions – our country's total carbon dioxide emissions must not exceed that cap. Companies that emit carbon would be required to aquire "credits" equal to their pollution – one credit per ton of carbon-dioxide. They could either purchase these credits in open public auctions, or they could trade for them in a secondary market that would be similar to the trading market for stocks or commodities. Businesses will have maximum flexibility to reduce their emissions and sell excess credits, or keep polluting and buy more credits. But the public is assured that total pollution is reduced.
    - Cap and auction is the best way to implement "cap and trade" because the value of the permits stays in public hands, instead of going to oil and coal companies. Nationally, it could mean hundreds of billions of dollars to stoke investments in job training, energy efficiency programs, and alternative energy technology. We favor a cap and auction approach for the Western Climate Initiative's carbon market plan.
- *Carbon Tax*: We know about taxes – gas taxes, cigarette taxes, sales tax. In this case, carbon would have its own tax, and it would apply to pollution and fuel sources. The strategy here is to make it cost more, so polluters will make reductions to avoid the tax. In order to be effective, the tax amount would have to be high enough to cause people and businesses to make significant changes. It would work best when paired with a cap so we could set reduction goals and measure our progress. It can work with a cap, but they're usually consider pretty different approaches. These revenues could also be used to invest in clean energy and conservation programs.
- *Carbon Regulation*: Pass a law to force companies to reduce carbon pollution. This method has worked with other types of pollution, but it would not work so well for carbon. So much carbon must be removed from the atmosphere that it would be extraordinarily expensive (and intrusive) to achieve our goals this way. However, other energy legislation such as a renewable electricity standard, a utility energy efficiency standard, or fuel economy standards for vehicles can constitute pathways for direct regulation of carbon emissions.

More about Cap and Auction

A "cap and auction" program would set a mandatory nationwide limit, or cap, on carbon dioxide pollution and create a market in which allowances to emit the gas could be traded. To reduce this pollution, the cap would be set lower than historical emissions and would be reduced over time. Under this system, suppliers or users of fossil fuels (which are the main source of carbon dioxide) would hold an allowance, for each ton of emissions they produce.

Positive features of a Cap and Auction system

- **Real reductions:** The cap, which will shrink over time, guarantees that specific emissions reductions targets will be met. Considering we need to make significant reductions in the next decade, this is the best way to ensure we meet our goals.
- **Brings in revenues:** Auctioned cap and trade brings in revenues that can be used to help low- and middle-income families cope with higher electric bills, reduce the program's compliance costs, or finance more rapid emissions reductions. Auctioned allowances should be used to benefit the public, not to generate windfall profits for polluting industries. Free allocations, if any, *must* be limited in size and restricted to a short transition period.
- **Promotes best buys first:** Auctioned cap and trade activates the power of the market to seek out the cheapest and most efficient reductions first: In this system, when reducing emissions is cheaper than the cost of the permits, emitters will choose to make reductions in their emissions. It would ensure that money is available to invest in energy efficiency, creating job training opportunities and financial support for clean energy businesses.
- **It tips the playing field away** from big historic polluters and toward leaner and cleaner companies.

Pitfalls

As states, regions, our nation and, eventually, the world embrace a carbon market, there are certain things we want to avoid. We've learned lessons from trading systems that have already been operating, and we can ensure a system that best reduces carbon as quickly as scientists say is necessary, and helps create more economic opportunities for clean energy. Some policies we are watching include:

- *Preventing windfalls for fossil-fuel and environmentally damaging industries*: It's possible that old, dirty coal plants and nuclear plants could be "grandfathered" into the system and receive huge financial benefits. We want to ensure that auction revenues are fair and clean economy incentives that benefit the public are prioritized.
- *Setting too high of a "cap"*: In Europe and elsewhere, the initial "cap" was set actually too high – it allowed more carbon than was being emitted and did not create enough market incentive to reduce carbon to the levels required. We now know much more about the science of climate change and the need to set a cap that will drive goals such as 80% reductions in carbon by 2050.
- *Offsets and loopholes*: Some proposals include ways for companies to avoid paying the price of their pollution – and to avoid making substantial reductions. Any offsets in a plan should be strictly quantified and enforced, and only make up a small percentage of the program.

By making smarter energy and transportation choices, we can also save money, create jobs, reduce air and water pollution and improve the health of our families. Let's seize this moment and work together as citizens, community leaders, businesses and families. Let's make Washington State a COOL state!

Find out how you can help: www.CoolStateWashington.org

~ Written in partnership with Sightline Institute, www.sightline.org ~