

A conversation with Adele Morris on June 24, 2013

Participants

- Adele Morris – Brookings Institute Fellow and Policy Director for the Brookings Climate and Energy Economics Project
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Note: This set of notes was compiled by GiveWell and gives an overview of the major points made by Adele Morris.

Summary

Adele Morris's research focuses on the economics of climate change and energy policy. GiveWell spoke to her about her work, domestic and global climate change policy, and the potential impact of new funding in the space.

Approaches to climate change policy

Three different approaches to climate change policy are adaptation, mitigation, and geoengineering. Dr. Morris' work focuses on mitigation policy, and was the main topic of the conversation. Adaptation has to do with making communities more resilient to changes in the global climate. Geoengineering policy is very complex, since it would be a major occurrence for any country to unilaterally interfere with the climate in such a direct way. Furthermore, because talking about geoengineering could be viewed as giving up on mitigation, there is little public conversation on it.

Dr. Morris's work and the Brookings Institute

One approach to climate change mitigation is to put a price on carbon, which is the focus of Dr. Morris' work. Because the cap and trade bill failed, it seems unlikely that a standalone climate policy like that could pass, so she has been exploring the idea of embedding a carbon tax in a broader fiscal reform, perhaps alongside pro-growth tax reform. Her work is between the academic and policy world, as she creates and publishes research and works with policy groups, federal government staff and NGOs, acting as a translator between academics and policy makers. One tool she works with, along with other colleagues at Brookings, is a general equilibrium model that analyzes different climate change policy scenarios, with an eye to understanding both the macroeconomic effects and environmental outcomes of various policies. Along with other co-authors, she uses other modeling approaches to investigate the potential distributional effects of policies across households by income level and across different regions within the United States.

It can be tough to find funding for the type of research that Dr. Morris does because it doesn't appeal specifically to either green advocates or corporate stakeholders.

The current US situation

One possible approach to mitigation in the US is via the Clean Air Act, since the Supreme Court has upheld the EPA's ability to regulate greenhouse gases under the act. The problem is that the bill is ill suited to greenhouse gases, and was not originally written with carbon dioxide in mind as a pollutant. Lawyers are saying that pursuing abatement through the act is going to be costly and protracted, as it would have to go through a lengthy rulemaking process and states would have to prepare implementation plans, likely taking more than a decade to impose binding constraints on existing facilities in most states. In that space, the Natural Resources Defense Council has been very active in promoting using the Clean Air Act and has been very sophisticated in its approach to environmental regulation.

The government does currently include carbon emissions in its regulatory cost/benefit analysis. Whenever a rule increases or decreases greenhouse gas emissions the government has a good system for monetizing the effects.

The philanthropic sector is just as divided as the political parties on climate change, and there's substantial money involved. Heritage and Cato receive substantial funding from the right. On the left there's Hewlett, Energy Foundation, and ClimateWorks which fund many other organizations, and there are also membership organizations like Sierra Club and Greenpeace. Think tanks include Brookings and Resources for the Future, a very good organization focused on doing economic analysis, and there are also economists at MIT, Stanford, and Harvard working on how to design climate policy.

Many groups have had to reconsider their approach since the failure of Waxman-Markey, and some are spending a lot of time now just thinking about what they could do next. Some have retreated from the federal level to the state level, which is another important area, or are just looking for whatever issues they think they can make a difference on – appliance standards, fuel economy, coal plants, etc. The Sierra Club, for example, has been focused recently on eliminating coal plants at a very local level. Experienced environmental lawyers have argued that some proposals for Clean Air Act regulations for greenhouse gases offer unduly optimistic timelines for implementation. If they're right, this suggests an opportunity for pursuing policies that could be adopted sooner under new authority.

Opportunities to influence US policy

Given the divided nature of the groups focused on climate change, there is likely room for a centrist pragmatic organization with no partisan agenda but a desire to get things done in an efficient way.

Another opportunity is to make it safer for Republicans to talk about climate change. The Republicans underperformed in the last election and need new positions to appeal to young voters, and there are conservationist thinkers in the party who might be interested

in this topic. Example organizations include the Energy and Enterprise Institute, founded by former Republican Congressman Bob Inglis, which supports a revenue neutral carbon tax, and the R-Street Institute which is focused on market-based approaches to climate policy. Money spent on climate change might have the highest incremental effect if put towards helping Republicans form a positive agenda on the issue.

Attempting climate change legislation in a highly partisan way seems misguided – it is unlikely that anything could get done in a one-sided fashion in the existing Congressional environment. Climate change is a lifetime battle – it's not just a matter of what can be passed now, but what can stay as law, so even if something could be passed by one party in the short term that doesn't mean there's much chance of it remaining in the long term.

Groups that focus on mobilizing popular support from the left aren't necessarily helping the pro-mitigation people closer to the center. Some of what they do is sensationalist and can end up polarizing the debate. While strength on the left edge of the political spectrum may be able to shift the middle ground to the left, from a practical policy perspective it would be more helpful to have more people in the midsection of the distribution.

An Inconvenient Truth was very useful for the science, but the claim that climate policy is going to create wealth and jobs by default is misleading. Decarbonizing an economy with the installed capital base that we have is very difficult, so it's important to figure out a way to do so in a way that can't be accused of killing jobs. The proposal has to be able to convince the Senate Finance and House Ways and Means Committees, among others, that it won't harm the economy. There's not much funding for examining legislative proposals that are likely to command broad political support, so this could be an opening for a philanthropist.

Global climate change policy

Action in the US is necessary but not sufficient for alleviating the threat of climate change. Doing something in the United States would be likely to have a ripple effect on other countries, although a variety of policies are currently in place abroad.

In Canada, British Columbia has a revenue-neutral carbon tax, which is currently over \$30 per ton of CO₂ equivalent. They've used the revenue to reduce personal and corporate income taxes. Other provinces have thought about doing cap and trade. In general it seems reasonably likely that if the US adopted a carbon tax, Canada would too.

Australia has a carbon tax but it was poorly designed, and it has been politically inflammatory. The government is likely to be replaced in the fall elections and that policy may disappear. This case illustrates the hazard of going too fast too soon – the price of a ton of CO₂ equivalent was set immediately at \$23, which might be a reasonable price in terms of the social cost of carbon, but is a very high place to begin economically, particularly if major trading partners are not adopting similarly ambitious climate policy.

There is a big challenge with large and growing emitters like China and India. It seems like the US is missing some important diplomatic opportunities with these nations. For example, China has expressed interest in a carbon tax and the US did not create a conversation about it. Similarly, India announced a tax on coal and the international community was silent. Dr. Morris has been advocating for more international dialogue on carbon pricing because there could be much to be gained from information exchange between nations on this issue. There is likely useful work to be done within China and India to help them with their low carbon growth strategy. Of course, the policy process in China is opaque, and the key issue there will be reducing their dependence on coal – the focus on electric cars or solar power won't have the same effect that coal reduction would.

On the research and funding front, there is a space for new investments in developing countries on adaptation and climate resilience. Adaptation work is closely tied to foreign aid strategies that already target vulnerable populations. In addition, there is an opportunity for new work on low carbon growth policies in developing countries, which could involve developing country energy sector policies.

Going forward globally, we're unlikely to see a return to the timetables and agreements that existed under the Kyoto protocol. More likely will be each country agreeing to certain policies and measures that they will follow, and they will try to hold each other to it. It's better than nothing but probably not enough – we need to have a deeper conversation about carbon pricing internationally. The case for an international venue to discuss carbon pricing is highlighted by the international conflict created by EU efforts to tax airline emissions. If there were more international conversation about carbon pricing the risk of such contention would be reduced. Antholis and Talbott (authors of *Fast Forward*) are right that there are lessons for climate negotiations in the example of conversations about trade and other international economic matters. Rather than focus purely on environmental outcomes, international conversations should engage directly on the economic aspects of the agreements because fundamentally, serious climate commitments are economic commitments.

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