



MEMO

From: Dan Carol

To: Interested Parties

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Subject: What's Next on Climate – Five Strategies for Moving the Clean Economy

We've had a frustrating year for carbon reduction. Negotiations in Copenhagen fell short of expectations and far short of what was necessary to generate momentum for global policy initiatives here in the United States or anywhere else in the world. U.S. legislation weakened and wobbled throughout the legislative term, leaving proponents looking as much for scapegoats as for solutions. AB-32, California's model for progressive action by states who want to make their own run at carbon reduction, has been on the ballot and on the defensive. Federal regulatory authority, the ace in the hole for cutting carbon, is also hanging in the balance. The President now talks about moving forward on energy in "chunks".

It is clearly time for clean economy proponents to deploy some new strategies moving forward, if only to diversify the total risk of our current "campaign portfolio" of carbon-cutting investments.

Nearly all initiatives addressing climate change to date have been targeted at what **governments** need to do to address carbon. These approaches, although very important, are not working quickly enough. Moreover, country-by-country carbon reduction commitments from the advanced industrialized world need to better account for the fact that in the 21st century, carbon emission occurs in the developing world as well, including that resulting from manufacturing undertaken to produce goods for advanced economies.

Thus it is clear that parallel strategies to engage consumers and further engage the private sector in re-thinking local manufacturing seem wise to consider. Moreover, when we do seek major changes from government in an era of political dysfunction, we may need to think more systemically about how we can accelerate public policy change in this challenging context, and not just in Washington, DC alone. We therefore see 5 supplemental but decidedly big strategies, all of which are compatible with continuing the fight for a comprehensive climate bill and better price signals on carbon:

Accelerate innovation in the domestic electricity sector by moving to Electricity 2.0.

Boost utility innovation by working with wireless and IT companies, across Congress, the Federal Energy Regulatory Commission, and all-important state Public Utility Commissions to create new planning and pricing mechanisms to launch next-generation micro-grids at universities, corporate campuses, government facilities, and commercial real estate developments. Getting to innovation and clean technology friendly Electricity 2.0 – which is critical to US economic competitiveness – will require a more open energy network where utilities, innovators, regulators, and customers align their incentives. As DOE Under Secretary Kristina Johnson said recently about the nation's \$400 billion electricity business, "We need a more flexible system for delivering power intelligently. We need Electricity 2.0. The extent to which that comes to pass will determine whether we are able to effectively compete in the 21st century."

Leverage local efforts to drive clean economic development from the bottom up.

Think anew about “grassroots campaigns” that are focused not just on getting business and other community members to lobby Congress, but are instead designed to seed transformative “jobs and innovation partnerships” locally and stand up new, public-private models for accelerating regional market creation and the growth of *clean economy* start-up businesses. While boosts in federal R&D are important, the critical financing gap we need to close involves creating new, small-scale equity project finance mechanisms that can help small companies get out of entrepreneurs’ garages as well as university labs -- and get to commercial scale.

Create a global low-carbon supply chain.

Accelerate the roll-out of innovative private sector-led initiatives to “green” manufacturing supply chains in China, the U.S. and other key markets. Industrial efficiency is higher-impact, lower-hanging fruit than anything else out there, and, unlike residential efficiency, we know how to do it *at scale* right now.

Also key: removing tariff and non-tariff barriers to clean technologies around the world. Massive markets in the developing world, including India and China, now have significant barriers to importing clean technology. Removing such barriers the world over will make clean technology cheaper in comparison to fossil energy. Recent commitments from the G-20 countries to phase out fossil subsidies will also help change comparative price levels world-wide.

Aggregate clean energy consumers’ buying power.

Engage millennial consumers in ways that are not gimmicks but effectively aggregate their growing power. Eighty-six percent of Millennials (and 91% of their moms) desire environmental brand information when they shop. The two groups carry enormous clout in the marketplace. Moms control 80 percent of household expenditures; college-aged Millennials have \$40 billion of discretionary income to spend each year. 1 out of 3 adult Americans will be members of the most environmentally conscious generation in history by the end of this decade. As a result, Millennial-influenced purchasing decisions and activism will play a key role in moving the country closer to its international environmental commitments.

Employ a tax-neutral strategy for carbon pricing.

Cap and trade was decried by its opponents as big government, and its complexity opened it up for attack. Instead, let’s tax something we don’t like – carbon – and in turn alleviate a tax on jobs, the payroll tax. Such a program does not expand government, reduces a major, direct downward pressure on jobs, and helps create demand for clean technology. Once the political silly season is over, we think Americans would support such an idea if some portion of the funds were dedicated to clean energy – as gas taxes are for road-building.

The big narrative that perhaps brings this all together? Create a public-private US energy independence venture fund, authorized by the federal government, but deployed and invested in local economies so that it’s local leaders not the federal government who collaboratively choose the best clean economy projects. Open the fund up to additional citizen investment so Millennials, Boomers, and Gen-Xers could all share in the upside of accelerating our national quest for U.S. Energy Freedom.

For more information on the steps to get there:

Electricity 2.0

Blog: <http://ndn.org/blog/2010/10/electricity-20-acceleration-agenda>

Acceleration Agenda:

<http://ndn.org/essay/2010/10/blueprint-electricity-20-ndns-acceleration-agenda>

Bottom-Up and Regional Innovation

Blog: <http://ndn.org/blog/2010/09/acceleration-agenda>

Full NPI Working Paper, *The Acceleration Agenda*:

<http://www.newpolicyinstitute.org/wp-content/uploads/2010/09/AccelerationAgenda.pdf>

Enterprise Innovation Funding:

<http://www.enterpriseinnovationfund.com/>

Low-Carbon Supply Chains

Responsible Sourcing Initiative

<http://www.nrdc.org/international/cleanbydesign/default.asp>

Aggregating Consumer Market Power

<http://www.coneinc.com/news/request.php?id=3350>

<http://www.washingtonpost.com/wp-dyn/content/article/2010/06/27/AR2010062703089.html>

Tax-Shifting

Addressing Climate Change Without Impairing the U.S. Economy: The Economics and Environmental Science of Combining a Carbon-Based Tax and Tax Relief

<http://sonecon.com/docs/studies/CarbonTaxReport-RobertShapiro-2008.pdf>