



Market Mechanisms and Climate Justice

A presentation by **J. Andrew Hoerner**
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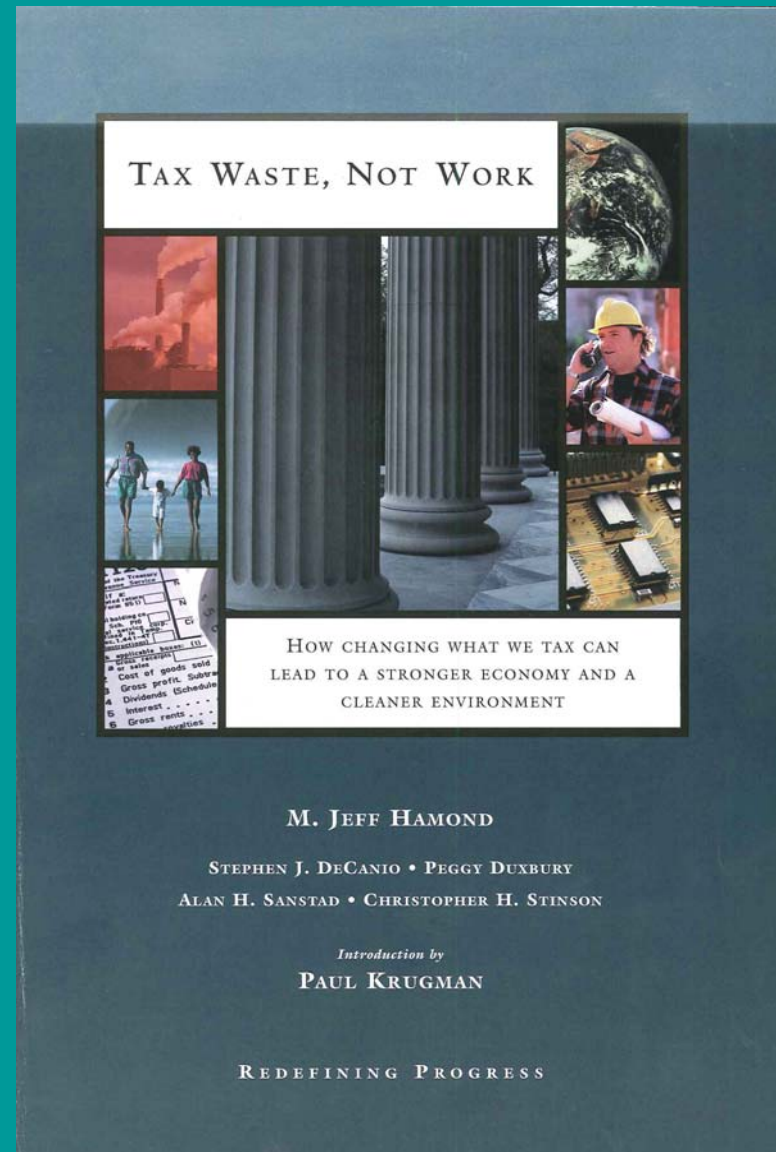
Redefining Progress

April 10, 2009

Who we are

- Redefining Progress is a public interest think tank for sustainability policy
- Our mission is to promote innovative policies that simultaneously promote:
 - A strong economy
 - A healthy environment
 - A just society

Working for pollution taxes



Labor and environment

CLEAN ENERGY AND JOBS

**A Comprehensive Approach to
Climate Change and Energy Policy**

James P. Barrett and J. Andrew Hoerner
with Steve Bernow and Bill Dougherty

ECONOMIC POLICY INSTITUTE



Led directly to formation of Blue-Green & Apollo Alliances

BLUEGREEN
ALLIANCE



Working for Environmental Justice: The *Climate of Change* report

J. Andrew Hoerner
and Nia Robinson

A Climate of Change

African Americans, Global Warming, and
a Just Climate Policy for the U.S.

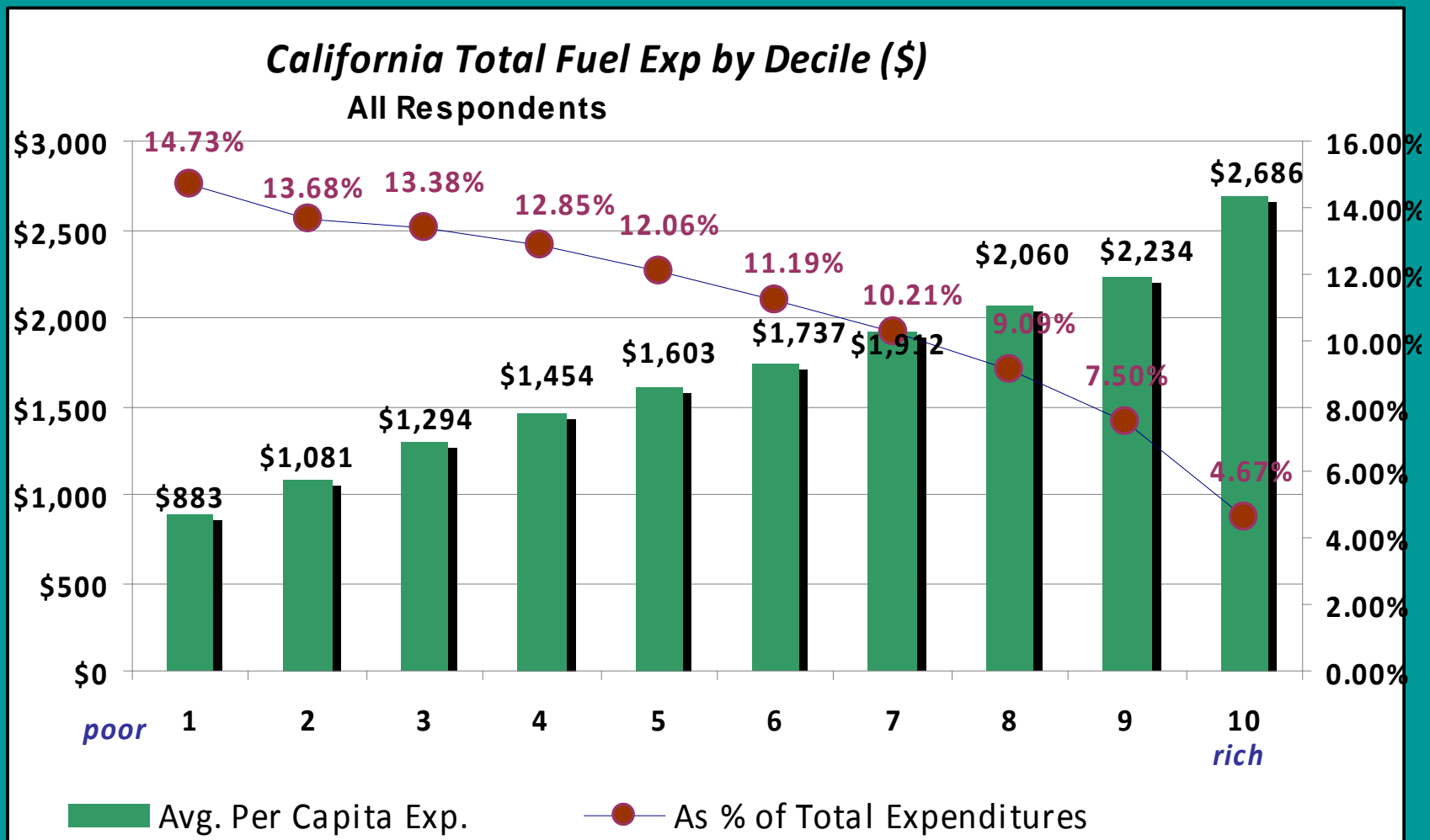
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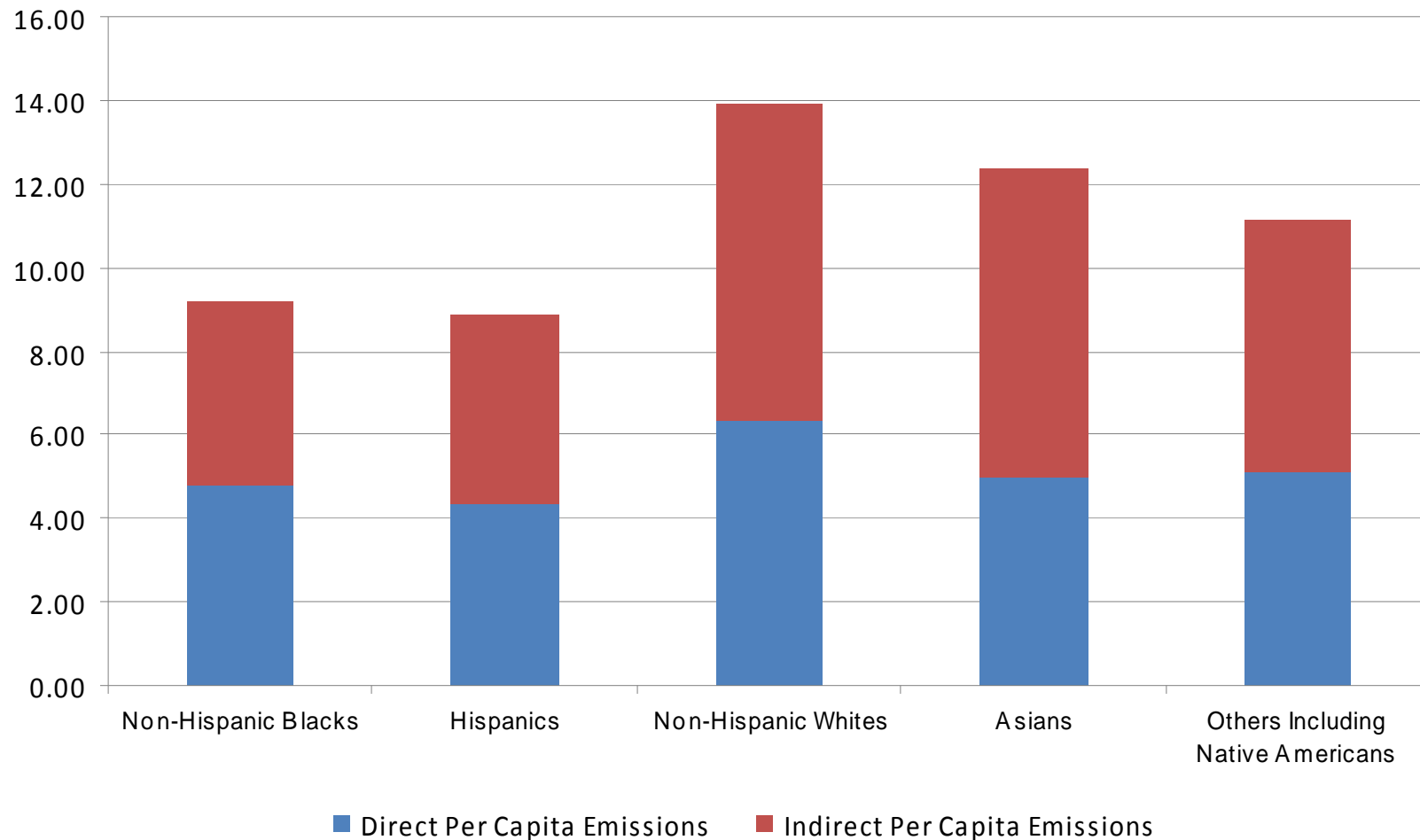
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Low-income families spend the highest income share on energy but buy the least.



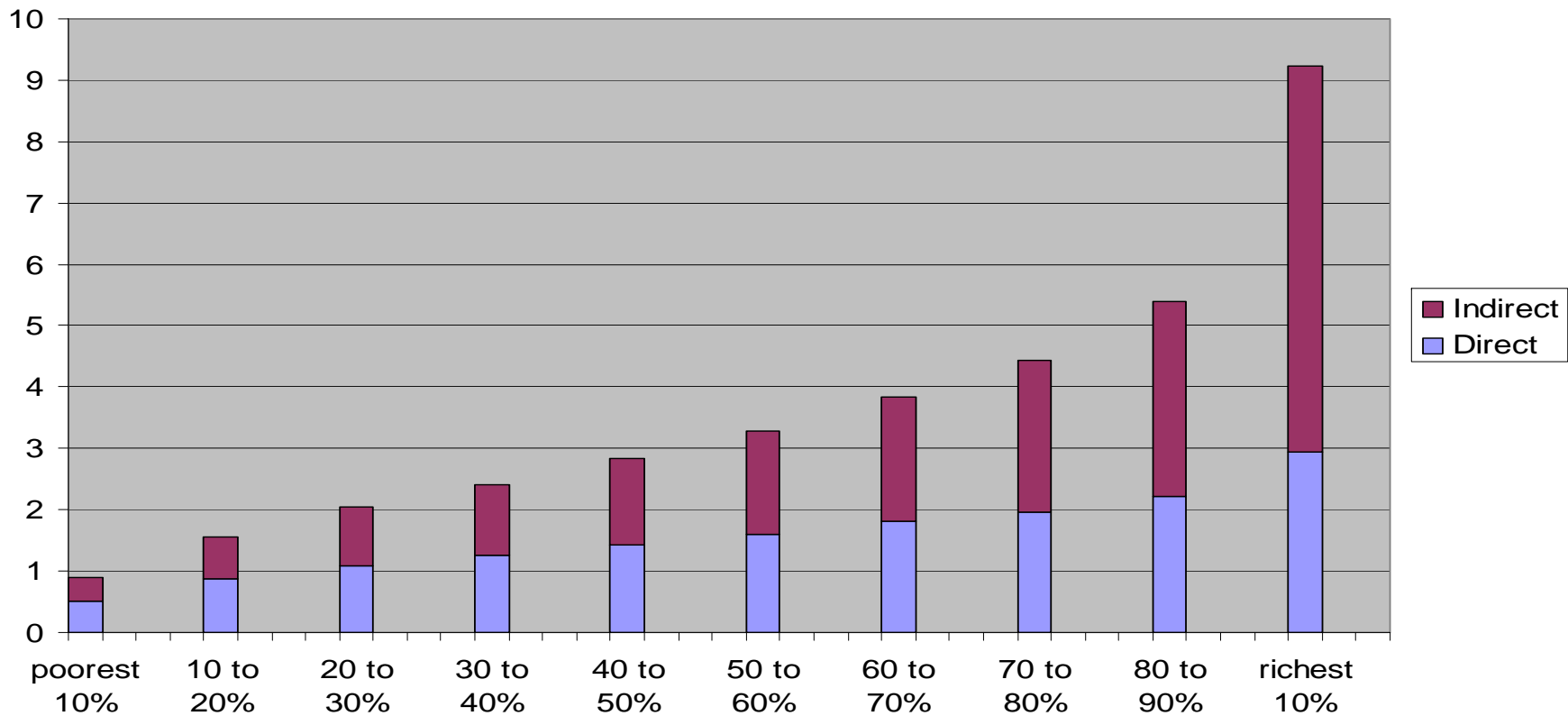
Emissions vary by racial/ethnic group. N-Hisp. whites are highest.

California Per Capita Emissions- Direct and Indirect (Metric Ton)



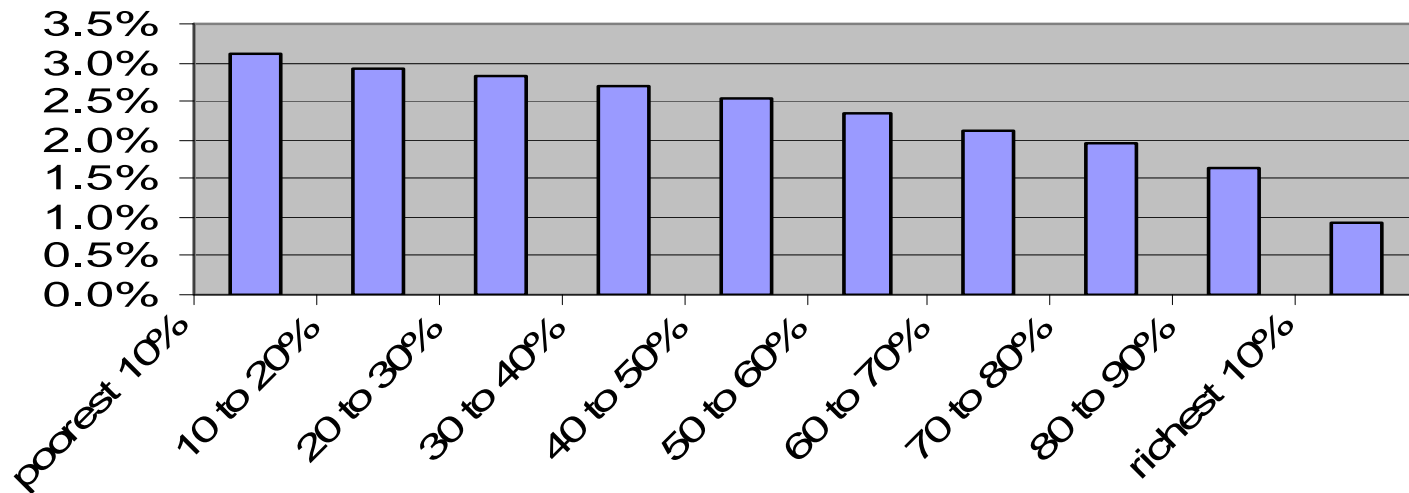
The carbon footprint of the richest 10% is more than 10 times the footprint of the poorest.

Direct and Indirect CO2 Emissions in 2006 for California Households by Expenditure Decile
(Metric tonnes)



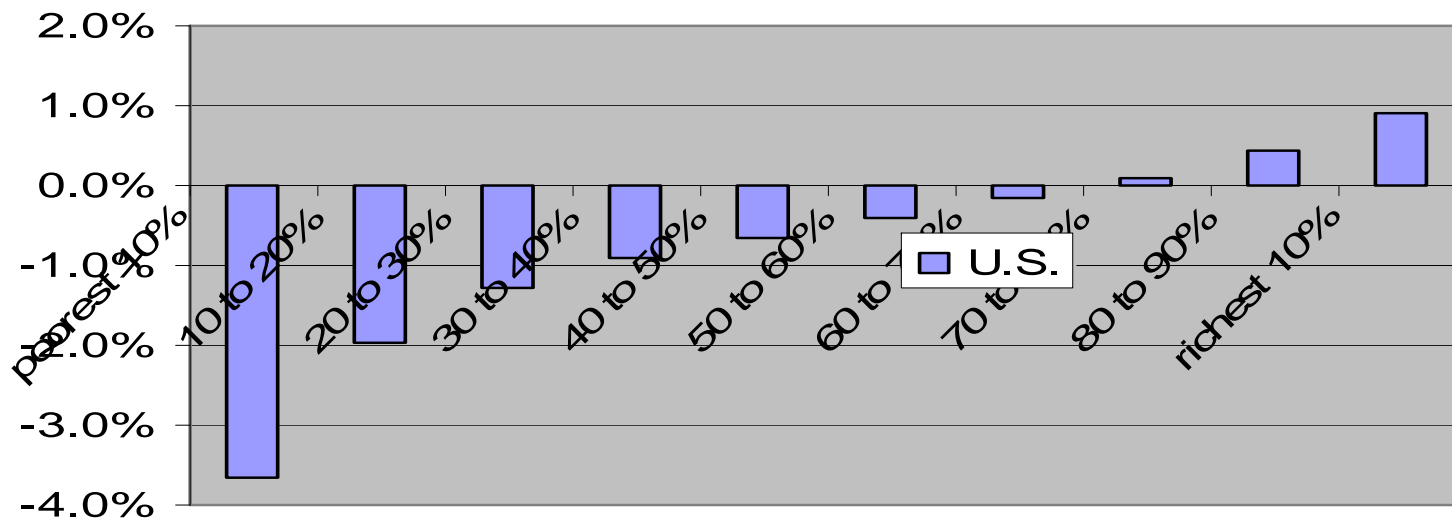
With allowance giveaway, all households pay. Poor pay most.

**Burden of a \$50/TonCO₂ Charge
(% total expenditures)**



But with an equal per-capita rebate,
most people benefit, especially poor.

**Burden of a \$50/TonCO₂ Charge with an
Equal Per Capita Natural Birthright Payment,
(% total expenditures)**



Problems

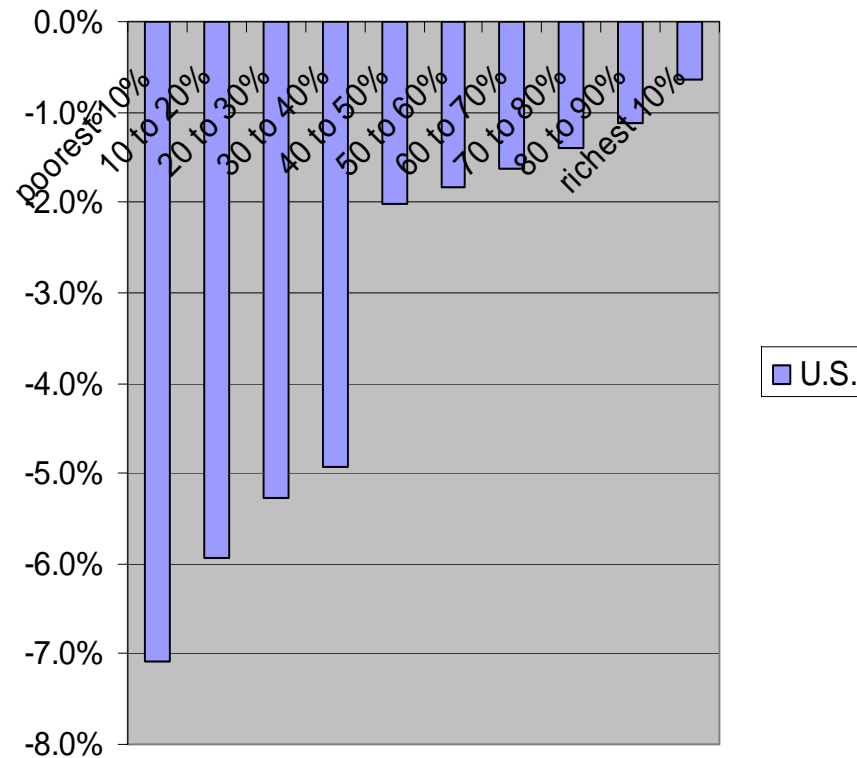
- Some low-income households have very high energy use – rebate inadequate.
- Efficiency programs delayed, spotty for poor families
- Charge has to be very high to achieve large emissions reductions. Potentially unpopular.
- Markets slow to respond with new technology, efficiency
- Leakage

Climate Asset Plan

1. **Firm cap**
2. **Allowance auction** (trading unnecessary)
3. **Protect low-income families.** 15% revenue as cash rebates to low-income households
4. **Promote clean technology.** Regulation, plus minimum 20% revenue to energy efficiency and clean energy technology.
5. **Revenue recycling.** Return rest of revenue through rebates, tax cuts, or high-value public investment.
6. **Border adjustment** to prevent leakage.

Distributional Effect of CAP

**Burden of a \$50/Ton CO2 Charge Financing
Low-Income Offsets, Energy Efficiency
Investments, & Per-Capita Birthright Benefit,
(% total expenditure)**



Legislative Flashpoints

- No allowance giveaways
- Need legislation requiring revenue return as money.
- CARB needs payment percent floors for low-income & efficiency

Debatable: 65% of revenue

How do we want to return the rest of the revenue?

- Per-household return
- Tax cuts
- More efficiency, renewables
- Invest in infrastructure
- Invest in people: Schools, health