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Prospects for US Climate Policy in the Biden Administration

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Climate and Energy Webinar Series

Overview of Main Points

Overall Outlook: Optimistic

1. Main elements

- **Large infrastructure budget / government spending** (jobs)
- **Regulations**
- Research, information, assessments
- (Not carbon tax or emissions trading)

2. Level of ambition

- **High ambition** (more ambitious than Pres. Obama's policies)
- Net zero by 2050, 100% carbon-free power by 2035
- **Real policies, budgets (not just symbolic declarations)**
- (But not clear if policies will achieve net zero)

3. Can they be adopted or implemented?

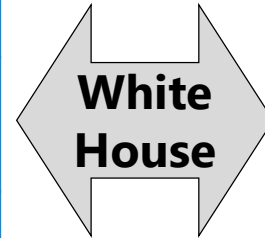
- **Yes, likely.**
- **Especially: regulations, budgets, research**
- (Carbon tax, emissions trading – difficult)

Whole-of-Government Approach

Domestic Policy Coordination

National Climate Advisor
Office of Domestic Climate Policy

➤ Gina McCarthy



International Policy Coordination

Special Envoy for Climate Change

➤ John Kerry

National Climate Task Force Chair: National Climate Advisor

Cabinet and Agency Heads	
Agriculture	Homeland Security
Commerce	Housing & Urban Dev.
Defense	Interior
Energy	Justice
Env. Protection Agency	Labor
General Services Admin.	Transportation
Health & Human Services	Treasury

Top Presidential Advisors
National Security Advisor
Homeland Security Advisor
Economic Policy Advisor
Domestic Policy Advisor
Director, Office of Management & Budget (OMB)
Director, Office of Science & Technology Policy
Chair, Council on Environmental Quality

Reason for optimism:

Key Economy & Energy Related Cabinet Secretaries, Presidential Advisors Are Committed to Climate Action

Treasury Secretary Yellen	<ul style="list-style-type: none">• Supports carbon pricing, independent climate policy councils, disclosure requirements• Will appoint climate TF and coordinator
Energy Secretary Granholm	<ul style="list-style-type: none">• Promoted renewable energy, clean auto tech as Governor of Michigan
Interior Secretary Haaland	<ul style="list-style-type: none">• Opposes fracking (but will support Biden policy)
Transportation Secretary Buttigieg	<ul style="list-style-type: none">• Advocated strong climate policies in the 2020 election campaign, including net zero by 2050, zero emission electricity by 2035, and green new deal
Agriculture Secretary Vilsack	<ul style="list-style-type: none">• Committed to a pro-climate agenda
National Economic Council Director Deese	<ul style="list-style-type: none">• Former head of sustainable investment at BlackRock
US Trade Representative Tai	<ul style="list-style-type: none">• House Ways & Means Committee staff, pushed for stronger labor & environment standards in USMCA. Supports trade to benefit workers, not trade for its own sake.

Types of Policies

Types of Policies	Characteristics
Laws	<ul style="list-style-type: none"> • <u>Advantages</u>: possible wide scope and direction, difficult to change • <u>Disadvantage</u>: requires 60 vote majority in the Senate. (Need 10 Republican votes)
Budgets	<ul style="list-style-type: none"> • Budgets (revenues and spending) are laws • Can pass Senate with a simple majority using “budget reconciliation”
Regulations	<ul style="list-style-type: none"> • Laws delegate regulatory authority to departments, agencies • Need to follow strict procedures (e.g. public comments) • <u>Advantages</u>: do not need congressional approval • <u>Disadvantages</u>: scope is limited by law, takes time (about 2 years)
Executive Orders	<ul style="list-style-type: none"> • Apply only to executive branch • Often aim to develop new regulations • <u>Advantages</u>: sound impressive, quick • <u>Disadvantages</u>: cannot change laws or regulations, next president can easily reverse

Biden’s Strategic Focus

- Executive Orders
- Budgets (mainly spending)
- Regulations

Politically feasible policy types

Main Points of Early Executive Orders (Domestic)

Overall prioritization of climate	<ul style="list-style-type: none"> • Across departments • Including national security, defense
Organizational measures	<ul style="list-style-type: none"> • Whole of government approach • Climate advisors, National Climate Council, etc.
Reverse Trump's executive orders	<ul style="list-style-type: none"> • (There were many.)
Regulations	<ul style="list-style-type: none"> • Start developing new regulations (various) • Freeze regulations started by Trump
Government procurement, property & asset management	<ul style="list-style-type: none"> • Climate-friendly procurement, management • Including Defense Department (\$700 bil. budget)
Social cost of carbon	<ul style="list-style-type: none"> • Interim \$51/ton, up from \$8 under Trump. • Will revise up by Jan. 2022.
Plans to develop new policies	<ul style="list-style-type: none"> • To "empower" workers, rebuild infrastructure, advance conservation, reforestation, etc.
Environmental justice	<ul style="list-style-type: none"> • Mainly administrative and procedural measures • 40% of climate investments should go to disadvantaged communities

Executive Orders:

- 20 Jan.
- 27 Jan.

- **First Day**
- **First Week**

Main Points of Early Executive Orders (International)

Climate is a national security priority	<ul style="list-style-type: none">• Encourage enhanced ambition for other countries• Defense Department to assess climate related national security threats
Overall global engagement	<ul style="list-style-type: none">• Paris Agreement NDC• Climate Leaders' Summit (April)• Major Economies Forum on Energy and Climate
Develop a climate finance plan	<ul style="list-style-type: none">• "To assist developing countries in implementing ambitious emissions reduction measures, protecting critical ecosystems" etc.
Develop Amazon protection plan	<ul style="list-style-type: none">• Amazon and other critical ecosystems• Including through market-based mechanisms
End international financing of fossil fuels	<ul style="list-style-type: none">• "Promote ending international financing of carbon-intensive fossil-fuel based energy"• Advance sustainable development & green recovery
Kigali Amendment	<ul style="list-style-type: none">• Seek Senate ratification

Main Elements (1) Jobs/ Infrastructure

"Climate" is not in the title

Biden's' Basic Concept: Climate Policy = Job Creation

"American Jobs Plan" (Infrastructure Bill)

Overview: \$2.3 trillion over 8 years

Announced 31 March 2021

- **1% GDP/Year, \$288 billion/Year**
- **Climate related: about 25~50%**
- **10 mil. jobs (from the campaign plan)**
- **Budget reconciliation process (probably)**
- **Finish by summer, autumn**
- **Additional "human infrastructure" bill (soon)**
 - Free community college, universal preschool, paid leave, more health care, child care (add'l. \$1 or 2 tril.)
 - Probably not climate related

Jobs/ Infrastructure: "American Jobs Plan" Budget Allocation¹

Transport

Includes:

- Gov. procurement, school buses, post office, other gov. vehicles.

Includes:

- Grid Deployment Authority (DOE)
- Clean energy tax credits 10 yr. ext.
- Clean abandoned oil & gas wells, coal mines, reduce methane leaks (create jobs) \$16b
- Civilian Climate Corps \$10b
- Carbon capture & storage
- Decarbonized hydrogen

Includes:

- New agency: ARPA-C (Advanced Research Projects Agency-Climate)

Directly climate related	\$bil
Electric vehicles	174
Public transit	85
Rail transport	80
Electric grid, clean energy	100
Clean energy manufacturing	46
Climate technology R&D	35
Disaster resilience*	50
Subtotal:	570
Percent of total:	25%

Mitigation

Clean Energy

Adaptation

* Note: some elements might not necessarily be climate-related

Jobs/ Infrastructure: “American Jobs Plan” Jobs in Less Carbon-Intensive Activities¹

“American Jobs Plan” Spending Categories: Less Carbon Intensive Activities*	\$bil
Home/community care for senior citizens, disabled	400
High speed broadband	100
National Science Foundation (research)	50
Work force development	48
Lead pipe replacement	45
Non-climate R&D	30
Pandemic preparedness	30
Research at Historically Black Colleges & Univ.	25
Road safety	20
Subtotal:	748
Percent of total:	33%

* This classification is more speculative. Jobs in these activities involve comparatively less greenhouse gas emissions compared to air travel, chemicals, etc.

Jobs/ Infrastructure: “American Jobs Plan” Budget Allocation¹

Partly Climate Related

- Infrastructure / buildings construction & repair
- Should include energy efficiency
- Should include climate resilience

Building efficiency	\$bil
Affordable housing	213
Public schools	100
Child-care facilities	25
Veterans’ hospitals	18
Community colleges	12
Federal buildings	10
Subtotal:	378

Mitigation (generally)

Climate resilient infrastructure	\$bil
Roads & bridges	115
Water systems	66
Airports	25
Waterways & ports	17
Subtotal:	223

Adaptation (generally)

Jobs/ Infrastructure: “American Jobs Plan” Budget Allocation¹

A significant amount might not be climate-related

Indirectly Related	\$bil	%
Jobs in less carbon intensive activities	748	33
Building efficiency	378	17
Resilient infrastructure	223	10
Total:	1,349	60

Summary	\$bil	%
Directly related	570	25
Indirectly related	1349	60
Total:	1,919	85

Jobs/ Infrastructure: “American Jobs Plan” Funding

1. Corporate tax measures

- Increase corporate tax rate to 28%
- Increase corporate minimum tax on foreign profits, book income
- International cooperation to adopt minimum corporate tax rates
- Regulations to discourage inversions, job offshoring

2. End tax preferences for fossil fuels

- Very important
- Not a large percent of total funding

3. Enforce industry payment for environmental cleanup, Superfund trust fund

- Very environmentally beneficial
- Will not contribute to infra. funding

4. Stronger tax enforcement

- Easy, straightforward to implement
- Revenue could be significant

**Mainly focused on general corporate taxes
(Not carbon taxes)**

Main Elements (2) Regulation

Major Areas of Regulation

- **Electric power plant emissions**
- **Automobile emissions, efficiency standards**
- **Energy efficiency standards for buildings, consumer products**
- **Air pollution standards**
- **Methane emissions**
- **Volatile Organic Compounds (VOC) emissions**
- **Electric grid regulations for clean energy**

Obama CPP replaced by Trump's ACE.* DC Court struck down ACE, affirmed EPA's authority to regulate GHGs

GM agreed on shift to EV, will cooperate with new Biden standards.

Federal Energy Regulatory Commission (FERC) already has regulatory authority

Scientific & legal justification

- New rule on social cost of carbon by Jan. 2022
- Various new climate assessments
- Will provide support for court challenges

Possible Timeline

- Need to start preparations immediately
- Many procedures required.
- Usually, finish in 1 or 2 years.
- **EPA expects to propose regulations in July 2021 on autos, power plants, oil wells** (*Bloomberg*, 7 April 2021)²

*Note: CPP: Clean Power Plan; ACE: Affordable Clean Energy

Regulation (3): Finance-Related

Overview

- US financial regulators will study climate related financial risks
- Financial disclosure requirements likely for companies and financial institutions

Regulator	Actions
Federal Reserve Board	<ul style="list-style-type: none">• New climate supervision committee• Assess implications of climate change on the financial system☐ FRB under Powell seems willing to consider climate despite 5 Republicans (4 appointed by Trump). (Now 1 vacancy on 7-member board)
Treasury Department	<ul style="list-style-type: none">• New department climate coordinator• New department climate task force• Financial Stability Oversight Council (interagency TF) will consider climate
Securities and Exchange Commission	<ul style="list-style-type: none">• Climate experts being added to the staff• Likely to consider stronger corporate reporting requirements☐ Democrats will have 3 / 2 majority

International Cooperation on Financial Regulation

Overview

- Substantially strengthen US participation in international cooperation on climate related financial issues.

Regulator	Actions
Federal Reserve Board (FRB)	<ul style="list-style-type: none">• Financial Stability Board's Task Force on Climate-related Financial Disclosures (FSB/TCFD)• FRB joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) in Dec. 2019 (before Biden)
Treasury Department	<ul style="list-style-type: none">• G7, G20 meetings of finance ministers and central bankers will discuss climate issues including financial disclosures• US (Treasury Department) and China will co-chair relaunched G20 sustainable finance group

Carbon Tax/ Emissions Trading

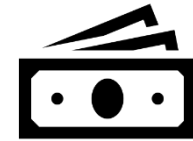
- Carbon tax, emissions trading are not likely
- Not likely to gain enough Democratic support in Congress
- Treasury Secretary Yellen and other top advisors support carbon pricing (but no legal authority)
- Biden's political strategy: climate is about jobs, not taxes
- Carbon pricing does not match "infrastructure" policy

➤ Business Starting to Support a Carbon Tax

- American Petroleum Institute
- Carbon tax may enable continued fossil fuel production

Carbon Border Adjustment (CBA)

- CBA was an important element of Biden's election campaign plan.
 - "carbon adjustment fees or quotas on carbon-intensive goods from countries that are failing to meet their climate and environmental obligations"
- CBA will probably not be taken up soon (maybe 2022)
 - Wait to see EU CBA, results of COP26, WTO negotiations
- Can be implemented unilaterally by the President
 - Section 232 (national security justification) and/or
 - Section 301 (against foreign actions which are "unreasonable" "unjustified" or a "burden" on US commerce)
- President Trump set a new precedent
 - Section 232 national security justification
 - Supreme court, Congressional Republicans supported Presidential discretion
- President Biden declared climate a national security priority
 - Election plan highlights need to maintain competitiveness of US industry
- Will probably not be linked to a carbon tax or emissions trading
- USTR Tai: US no longer supports trade liberalization for its own sake
- Note: All G7 countries except Japan are considering CBA



Conclusion

Ambitious

- Compared to past presidents
- Not clear if it will achieve net-zero

Main Focus

- Government spending, investment [Infrastructure / jobs]
- Regulation
- Mitigation and adaptation

Policies

Government spending / investment

- Regular budget
- Government procurement
- Tax incentives

Regulations



Sectors

Electric power/ renewable energy

Buildings (mitigation & adaptation)

Transportation

Politically Feasible/ Strategic

- Does not need Republican Senate support
- Executive branch can implement regulations, ex. orders
- Focus on jobs, improving lives

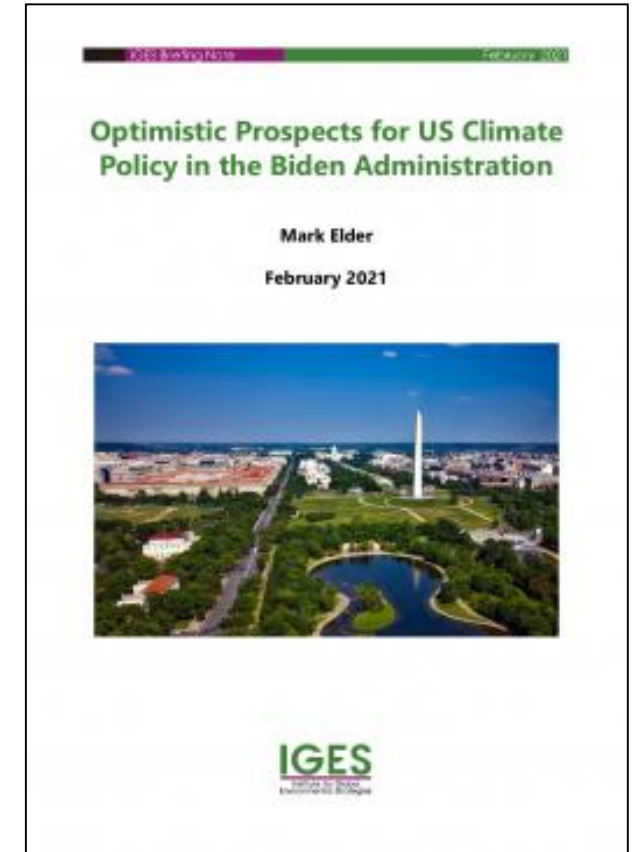
“Green New Deal” in substance (but not officially)

For Further Reference

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Notes

1. Adapted from: Parlapiano, Alicia, and Jim Tankersley. 2021. "What's In Biden's Infrastructure Plan." *New York Times*, March 31, 2021. <https://www.nytimes.com/interactive/2021/03/31/upshot/whats-in-bidens-infrastructure-plan.html>.
2. Dlouhy, Jennifer A., and Stephen Lee. 2021. "EPA Chief Vows Tougher Tailpipe Rules by July, Unwinding Trump's." *Bloomberg*, April 7, 2021. <https://www.bloomberg.com/news/articles/2021-04-06/epa-chief-vows-tougher-tailpipe-rules-by-july-unwinding-trump-s?sref=R0y3izZe>.



Thank you!

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