
National Capital Area Chapter

United States Association for
Energy Economics
February 2005

www.ncac-usaee.org

news

World Energy Policy Revisited: Ten Lessons from the Past 30 Years

*Presented by: Joy Dunkerley, Independent Consultant
Discussant: Joe Dukert, Independent Consultant*

Our Next Luncheon at the Library of Congress

WHEN: Noon, Friday, February 18
WHERE: 6th Floor, Madison Building—Montpelier Dining Room
Library of Congress (enter from Independence Avenue)
1st Street & Independence Avenue, SE
Washington, DC

A meeting of the Energy Policy Editorial Board—held in Hong Kong in 2004—was the occasion of a Workshop on Thirty Years of World Energy Policy, where several Editorial Board members presented papers. The papers and the subsequent discussion gave rise to the question: what have we learned from the experience of the past thirty years, that is from the first OPEC oil price increase?

Joy prepared a paper to address this question, which is the focus of her presentation today. Since others might have their own list of lesson learned Joe Dukert has been invited to offer his perspective.

Dr. Joy Dunkerley, a consulting economist in the field of Energy Economics, has degrees from the London School of Economics, and, as a Fulbright Fellow, from Clark University, Worcester, Mass. Her professional activities have centered on a wide range of energy issues, particularly in developing countries. Dr. Joe Dukert, a graduate of the John Hopkins University, School of Advanced International Studies (SAIS) has written extensively on North American energy cooperation and integration.

With US energy policy stalled in Congress do these lessons learned have relevance to overcome the current obstacles?

Join us on Friday, February 18 at noon for networking with the lunch-line forming promptly at 12:30 and the presentation beginning at 1 pm so we are done by 2 pm.

COST: \$20.00 for members and their guests (\$5.00 for student members) and \$25.00 for non-members and their guests. Make checks payable to NCAC-USAEE. **RSVP:** By COB Wednesday, February 16 to Leslie Coleman by phone (202/463-9780) or email (lcoleman@nma.org). Cancellations will be billed.

Highlights of the Annual Dinner

SPEAKER: Paul R. Portney, President, Resources for the Future

Co-editor: *New Approaches on Energy and the Environment:*

Policy Advice for the President

Paul Portney presented insights gathered by RFF researchers in a book produced during the fall election cycle, designed to provide policy advice for the incoming President. Twenty-five analysts chose their own policy topics to address and submitted memos as if written by White House staffers. According to Portney the topics range from A to Z “ ‘A’ being air pollution and antibiotic resistance to ‘Z’ being a proposal for zoning the oceans, using land-use approaches for the 250-mile limit on ocean use.”

Of the 25 memos, ten deal directly with energy related policy issues. These include three memos related to climate, one to oil dependency, one with a national renewable portfolio standard, one with energy restructuring, one dealing with CAFÉ standards, another with a proposal for handling pollutants from power plants, one dealing with peak-period pricing of congested roads, and a proposal for changing car insurance policies that would impact personal decisions on driving.

“I thought it was remarkable that 10 of the 25 recommendations were energy-related,” Portney told NCAC members. “It meant that those on the RFF staff feel that this is where the interesting public policy problems are.” Portney co-edited the book with Richard D. Morgenstern, and was a co-author of two of the memos included in the document.

The following is a brief outline of the ten energy proposals.

1. “Taking the Lead on Climate Change,” by Robert W. Fri, urges the president to implement a framework for controlling U.S. greenhouse gas emissions. While Fri’s proposal does not deal directly with carbon, his program would require reductions in carbon emissions. He would prefer the U.S. to take a lead in international efforts, and develop transitional rules that, to a reasonable degree, hold harmless early actions to reduce greenhouse gas emissions.
2. “Stimulating Technology to Slow Climate Change,” by Raymond J. Kopp, Richard D. Morgenstern, Richard G. Newell and William A. Pizer, advocates a flexible emissions trading program for greenhouse gases, and a simultaneous increase in funding for related technology research and development. These authors believe that this dual approach would place the U.S. on a path to address serious environmental problems without a risk to our economy.
3. “A Carbon Tax to Reduce the Deficit,” by Dallas Burtraw and Paul R. Portney, wades into the controversial area of increasing energy taxes. Portney argues that, with a \$450 billion budget deficit and a \$600 billion trade deficit, a carbon tax would help with both, and reduce greenhouse gas emissions at the same time. “Like dieting, you can eat less or exercise more, or both, and any solution is painful,” said Portney. “If you have a budget deficit you have to raise taxes (in whatever form it’s called), cut spending or both. If we’re in the world of bad choices, maybe some of the pain should come from a tax on energy.” He prefers taxing carbon, because of the externalities involved with carbon emissions, and the fact that the U.S. hasn’t acted on this issue yet.
4. “Slaking Our Thirst for Oil,” by Ian Parry and Joel Darmstadter, supports phasing in a modest tax on all oil consumption, and expanding the Strategic Petroleum Reserve to allow it to be drawn down in the event of severe and prolonged oil disruptions. The oil tax would encourage

energy conservation, promote R&D on alternative fuels, and gradually reduce our vulnerability to price volatility over the long term.

5. “Stimulating Renewable Energy: A ‘Green Power’ Initiative,” by Joel Darmstadter, argues that Congress should enact a national Renewable Portfolio Standard. He believes that an appropriate model is included in the Federal Renewable Portfolio Standard provision (Sec. 606) of the Energy Policy Act of 2002 (S. 1766).
6. “Rewarding Automakers for Fuel Economy Improvements,” by Carolyn Fischer and Paul R. Portney, urges the President to introduce legislation directing the National Highway Traffic Safety Administration to create regulations to allow automakers to sell the “credits” they earn for exceeding current fuel economy requirements under the CAFÉ program. Doing so would provide significant savings to manufacturers and consumers at no cost to the environment.
7. “Making Electricity Markets Competitive: How Fast and by Whom?” by Timothy J. Brennan, argues that successful competition in wholesale electric markets will require continued regulation and oversight by the Federal Energy Regulatory Commission. Despite resistance from state regulators and incumbent utilities, this regulation will quite likely require new legislation to require utilities to join regional transmission organizations (RTOs).
8. “Cleaning Up Power Plant Emissions,” by Dallas Burtraw and Karen L. Palmer, recommends the expeditious reduction in emissions from electric power generators, preferably through a legislative initiative that streamlines the patchwork of existing and anticipated regulatory policy.
9. “Pay-As-You-Drive for Car Insurance,” by Winston Harrington and Ian Parry, argues that the administration should create federal tax credits to accelerate experiments in automobile insurance reform. The pay-as-you-drive (PAYD) insurance, would base part of insurance premiums on the mileage of the driver. The plan would reduce the number of highway deaths without increasing overall insurance costs for the average motorist. It would also be embraced by environmentalists.
10. “Pay as You Slow: Road Pricing to Reduce Traffic Congestion,” by Ian Parry and Elena Safirova, urges Congress to authorize a program to implement road-pricing mechanisms by removing legal obstacles to converting high-occupancy vehicle (HOV) lanes into high-occupancy/toll (HOT) lanes, to alleviate traffic gridlock in cities.

Portney acknowledges that many of the ideas presented by RFF analysts are not politically popular. “If a think tank can’t put forward an idea that makes sense and is defensible, even if the time isn’t right, I’m not sure what we exist for,” he told NCAC. “This town is full of people who have political judgment about what can happen and what can’t happen. What does RFF have to add to that mix? What we, and other think tanks have, is expertise to say—if you did this, here are the consequences, and how that idea fares compared to other ideas.”

2005 MEMBERSHIP RENEWAL/REGISTRATION FORM

National Capital Area Chapter U.S. Association for Energy Economics

Please check here for membership renewal.

Please check here for new membership registration.

Membership registration/renewal for the NCAC-USAE is expected by the end of the preceding calendar year.

Please return your registration form and check to **Leslie Coleman** — NCAC-USAE Treasurer at: **National Mining Association, 101 Constitution Ave., Suite 500 East, NW, Washington, DC 20001**. Phone: 202/463-9780. Email: lcoleman@nma.org.

Full membership dues for 2005 are \$20.00 (students \$10.00). Please make checks payable to NCAC-USAE.

Please print clearly.

NAME _____
TITLE _____
ORGANIZATION _____
MAILING ADDRESS * _____

TELEPHONE NUMBER _____
FAX NUMBER _____
E-MAIL ADDRESS ** _____

Would you be interested in becoming more involved in NCAC-USAE by serving on the Council or as an officer of the Chapter? Yes ___ No ___

Please list topics or speakers you would be interested in:

* For DOE, please provide complete routing address.

** Provide the best e-mail address to receive the newsletter.