



Subcommittee on Energy
Hearing on
“Building a 100 Percent Clean Economy: Solutions for the U.S. Power Sector”
October 30, 2019

Ms. Karen Palmer
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Resources for the Future

The Honorable Lisa Blunt Rochester (D-DE):

1. At a time when the horrific wildfires in California are reminding us all too well that we are already experiencing the impacts of climate change, we know we must move to 100% clean energy. And we can't make this transition quickly enough. It's not just the tragic situation happening in California right now. It's happening all over the country. In Delaware, extreme weather is wiping out our farmers' crops and hurting our state's tourism industry. Air pollution in our communities is getting worse. Make no mistake that the impacts of climate change are here now.

Transitioning to clean energy is not only necessary to protect our health and safety, but it is also an enormous economic opportunity. Economic opportunity coupled with innovation enhances America's competitive edge, economy, national security, and our quality of life. Companies are innovating. States are innovating through policy. Now it's time for the federal government to act.

- a. Ms. Palmer, what type of policies should we consider to ensure everyone can benefit from the transition to clean energy, especially low-income and communities of color?

RESPONSE:

A key piece of ensuring that the transition to clean energy is equitable will be considering the potential effects of different climate policies, such as carbon pricing policies, across income and social groups.

Policies that involve putting a price on carbon (either through a cap-and-trade approach or the direct imposition of a carbon fee) can have a disproportionate effect on low-income consumers, because a larger portion of their income is spent on energy and energy-intensive goods. However, there can be factors that mitigate this regressivity; for instance, indirect effects of carbon pricing on incomes—in particular, any government transfer payments that are indexed to inflation—can mitigate its effects on low-income households (for more information see [this](#)

paper by Goulder et al). Carbon pricing policies also generate revenue, and some or all of that revenue could be used to provide per-capita dividend payments to households, which tend to offset the regressivity of the carbon price by itself.

Carbon pricing revenue can also be used to invest in clean energy–related infrastructure. A cap-and-trade policy, also referred to as “cap and invest,” uses allowance revenue to support green spending. This approach is the underlying principle of the transportation sector emissions reduction policies that are being developed by the Transportation and Climate Initiative, a collective effort of 12 northeastern and mid-Atlantic states and the District of Columbia. Throughout the development of this regional strategy, environmental justice advocates have sought commitments from the states to address their concerns about disproportionate impacts of pollution on communities of color and low-income areas, and the organization has committed to advancing equity and environmental justice in its processes, policies, and investments. As this group explores revenue investment options, the participating states are grappling with the inherent trade-offs between investments that can address several different goals, including greater access to public transportation for underserved communities, improvements in local air quality, and reductions in carbon dioxide emissions. RFF work has explored several of those trade-offs.

The cap-and-invest approach is also an integral part of California’s climate policy, which includes a broad-based carbon emissions cap-and-trade program and several other companion policies, as described in the regularly updated Climate Change Scoping Plan. Revenues from allowance auctions are used to invest in clean energy initiatives, mass transportation infrastructure, and other projects. By law, roughly 50 percent of the carbon allowance revenue must be targeted toward investments in the most environmentally and economically challenged communities. In its 2017 update to the state’s climate legislation (AB 398), the California legislature required that the state Workforce Development Board develop strategies to help the workers adjust to anticipated economic and labor market changes due to an accelerated transition to a clean energy economy. The initial report prepared in response to that law provides insight into how the opportunities arising from an energy transition can bolster labor markets—through job training and apprenticeship programs and other mechanisms—and how allowance revenue investment policies can incentivize good employment practices.

Fossil energy serves as the backbone for local economies in numerous US regions, including parts of the Gulf Coast, Texas, Oklahoma, Wyoming, North Dakota, California, and elsewhere. A rapid shift to clean energy will have major implications for these communities, and limited research is available to guide policymakers in their efforts to support workers and communities that would be negatively affected. Recognizing this challenge, RFF has partnered with the Environmental Defense Fund and others to assess policy options that can guide a “just transition” to clean energy. As part of our ongoing report series, we have assessed the potential role economic development policies, environmental remediation and infrastructure policies, and public benefit programs could play in helping fossil fuel–dependent workers and communities. Forthcoming reports will assess the role that workforce development policies can play, along with case studies and analysis of international efforts. In addition, recent RFF research (joint with Columbia University) assesses the potential for environmental remediation of abandoned oil and gas wells to support oil and gas workers while reducing methane emissions.



Along with supporting fossil energy regions, some of the policies outlined above can help address a legacy of environmental injustice for low-income and minority communities (often referred to as “environmental justice” or “EJ” communities). Depending on their design and implementation, environmental remediation and infrastructure programs can prioritize projects in EJ communities, boosting local property values and potentially enhancing job opportunities. Implementing these programs must be done carefully, however, as higher property values have the potential to displace long-time community residents—a phenomenon known as “environmental gentrification.” Infrastructure programs can address a legacy of environmental injustice by providing access to safe and affordable water in EJ communities, enhancing access to affordable transportation networks, and reducing traffic congestion that contributes to air pollution.

