



Regulatory
Approaches to
Reducing
Energy Sector's
Greenhouse
Gas Emissions

Regulatory Options

- Pricing of emissions
 - Tax
 - Cap and trade
- Mandates
- Public subsidies
- Voluntary measures

Benefits of Pricing GHGs versus More Prescriptive Regulatory Approaches

- Less intrusive
- Cost-effective
- Providing incentives for
 - Innovation
 - Long-term investments
- Lower administrative costs

Design Requirements for Pricing Approaches

- Comprehensive
- Durable
- Offsets?

Tax or Cap and Trade?

Cap and Trade

- Specifies emissions cap
- More prevalent
- Support among market participants

Tax

- Specifies price
- Less prevalent
- Support among taxpayers

Why Complementary Regulations?

- Price may not be sufficient
- Market failures
- Conflicting policies
- Imperfect information

Examples of Complementary Regulations

- Increasing energy efficiency
 - Appliance standards
 - Automobile efficiency standards
 - New Source Review under Clean Air Act
- Accelerating use of low carbon (or renewable) energy sources
 - Renewable Portfolio Standards
 - Carbon Emission Portfolios

Questions

- Efficacy of price?
- Anti-regulatory sentiment?
- Anti-tax sentiment?