



Free markets. Real solutions.

R SHEET ON CONSERVATIVE CLIMATE SOLUTIONS

April 2018

BACKGROUND

Climate change is often thought to be an area of weakness for conservatives. Conservative thinkers and politicians have put forward many creative solutions to issues that range from education to criminal justice to monetary policy. But when it comes to climate change conservatives supposedly have no response other than to deny there is a problem. Reinforcing this idea, many of the commonly discussed responses to climate change – such as government regulation, mandates or subsidies for low carbon energy sources – are ideas developed and promoted by left-leaning groups and public officials.

However, conservatives have much to offer on this subject. In fact, there are a variety of proposals consistent with conservative principles that would help to reduce greenhouse gas emissions significantly and help protect America from the likely effects of global warming.

R Street has worked for a number of years to find reforms that will help address the problems associated with climate change while also helping to increase market competition, reduce regulation and simplify the tax system.

ENCOURAGE ELECTRICAL COMPETITION

Across the United States, electrical service is provided either in competitive markets or by monopoly utilities. Over the last twenty years, states that allow competition have fared better than monopoly states when it comes to improving environmental outcomes.

Competition has helped reduce greenhouse gas emissions in several ways. First, retail choice allows consumers to demonstrate their preference for clean energy in the open marketplace. From 2010 to 2012, the number of green pricing customers in retail choice states increased by 142 percent. In contrast, monopoly states saw no increase in customers who chose clean energy. Second, monopoly utilities are typically guaranteed cost recovery, which gives them less incentive to improve fuel efficiency, adopt newer, often cleaner technologies or shut down uneconomical plants. Finally, competitive markets are better at integrating renewable resources into the grid in cost-effective and reliable ways. Conservatives should encourage the expansion of competitive markets for

SUMMARY

- Conservative principles such as limited government and market competition can address climate change.
- The expansion of competitive electricity markets is a free market approach to reduce greenhouse gas emissions and encourage clean energy.
- A streamlined regulatory process could cut back red tape and help industry deploy more clean energy.
- Flood insurance should be reformed to accurately reflect the risks of living in flood-prone areas.
- Environmentally harmful subsidies should be eliminated.
- A carbon tax swap can reduce both greenhouse gas emissions and the overall tax burden.
- Tariffs and import restrictions on the energy industry harm the economy with little benefit. Free trade is key to our nation's prosperity.

electricity as a free market way to reduce greenhouse gas emissions and improve environmental outcomes.¹

ROLLBACK REGULATION ON CLEAN ENERGY SOURCES

Rather than promoting clean energy via subsidies or mandates, conservatives should look to reduce regulatory burdens on clean energy sources. For example, long and complicated approval processes currently discourage two major sources of clean energy – nuclear and hydropower. Between 2005 and 2013, it took more than 15 years for the average hydropower project to be approved. Long approval times also delay the addition of supplementary hydropower capacity to existing dams, despite the fact that this would not create additional environmental impacts.

Long approval processes also plague nuclear power. New nuclear plant designs are currently being developed that could provide greater efficiency and safety. Yet gaining approval from the Nuclear Regulatory Commission (NRC) is a challenge. One company spent eight years working with the NRC on a new design that is roughly 5,000 times safer than plants currently in operation, only to have the review period

extended an additional 39-months before NRC will give approval to build the pilot plant.

The regulatory approval processes for hydro and nuclear takes far too long and involves severe redundancies. Conservatives should push for a streamlined regulatory process that cuts back red tape and helps industry deploy more clean energy.²

REFORM FLOOD INSURANCE

Climate change is projected to lead to a rise in sea levels and could increase the intensity of storms and flooding in some areas. It is critical to adapt to these changes in order to protect America's commerce and society. Yet many current government programs are downright counterproductive in addressing those problems. As an example, the National Flood Insurance Program (NFIP) offers insurance to residents of flood prone areas that does not reflect the risks of building or living in those areas. Instead, this has encouraged development in areas likely to be impacted by sea-level rise. Today, more than half the U.S. population lives in coastal counties, up 45 percent from 1970 to 2010.

Conservatives should call for reforms to the NFIP that reflect actuarially sound principles. Additionally, federal laws that inhibit the development of private flood insurance markets should be reformed in order to help coastal American cities become resilient to the effects of climate change.³

CUT ENVIRONMENTALLY HARMFUL SUBSIDIES

It is a basic rule of government that if you subsidize something, you get more of it. Yet the federal government subsidizes a wide variety of environmentally harmful practices. An example of this would be the Coastal Barrier Resources Act, signed into law by President Ronald Reagan, which bars federal subsidies to new development over thousands of miles of coastal barrier islands. Such policies promote adaptation to a changing climate and save taxpayer money. Conservatives should prioritize an end to these subsidies and Congress should look to eliminate all preferential treatment given to particular sources of energy in the tax code.⁴

REFORM CARBON TAXES

Conservatives have long sought to shift the burden of taxation away from wages and income, and towards consumption. A carbon tax swap could be a vehicle to make this idea a reality. A swap would put a price on carbon and use the revenue generated to offset cuts to other, more burdensome taxes. This would simultaneously achieve two goals. First, it would help to reduce greenhouse gas emissions in an economically efficient manner that lets people choose how best to respond, rather than having their behavior mandated for

them by bureaucrats. Second, a properly designed swap would boost economic growth through reduction or elimination of the most damaging current taxes. Conservatives should carefully consider a swap proposal as it could also include preemption of a wide variety of existing regulations. This could help achieve environmental benefits while also reducing the size and scope of government.⁵

ENCOURAGE FREE TRADE FOR ENERGY

America's ability to trade with other countries and specialize in industries where we have a competitive advantage is key to our nation's prosperity. Restriction on the import or export of energy, whether in the form of tariffs on solar panels or limitations on natural gas export, harms the economy with little benefit, risks retaliation from our trading partners and has the potential to devastate a growing market—both in terms of domestic employment and clean-energy deployment. Conservatives should avoid tariffs and import restrictions on the energy industry.⁶

CONTACT US

For more information on this subject, contact the R Street Institute, 1212 New York Ave. NW, Suite 900, Washington, DC 20005, feedback@rstreet.org.

ENDNOTES

1. For more detail, see Devin Hartman, "Environmental Benefits of Electricity Policy Reform," January 2017. http://bit.ly/Enviro_benefits.
2. See Devin Hartman and Tom Russo, "Ebbing the Flow of Hydropower Red Tape," August 2017. http://bit.ly/ebbing_flow. And William Murray, "Step Change: Improvements to U.S. Nuclear Power Regulation," March 2018. http://bit.ly/step_change.
3. See R.J. Lehmann, "Flood Insurance Reform: A Taxpayers' Perspective," June 2017. http://bit.ly/taxpayers_perspective.
4. See Josiah Neeley and William Murray, "Bringing Tax Reform to the Energy Sector," November 2017. http://bit.ly/tax_energy.
5. See Catrina Rorke, "A Carbon Bargain for Conservatives," September 2016. http://bit.ly/carbon_bargain.
6. For more detail, see Clark Packard, "Is the Sun Rising on Solar Protectionism?," September 2017. http://bit.ly/solar_protectionism.



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