



Clean Energy Innovation Roundtable Series

Summary:

Session I: Challenges and Opportunities in U.S. Energy Policy

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On March 4, 2021, the Aspen Institute Energy & Environment Program virtually convened a roundtable of experts to discuss the context for climate and energy policy in Congress, the potential for bipartisanship, the need for ambition, and what is required to produce durable policy. This summary captures some of the key topics of discussion.

Policy Context & Scope

Climate change is a problem of utmost urgency, requiring strong, gigaton-scale solutions. Policy is an immensely important element of advancing those solutions. Political, capital, and social cycles are in a relatively rare moment of alignment for achieving climate and energy policy. It is important to take advantage of this culminating moment.

There is momentum to build on. Congress enacted a large, bipartisan energy package at the end of 2020 – the first major update to national energy policy in more than a decade. The Energy Act of 2020 had many elements, but its focus was primarily on research, development, and demonstration. The policy conversation now needs to shift from a focus mostly on innovation to a focus that also includes scalable implementation and investment.

Some maintain that policy must encourage energy and climate solutions that encompass all fuels. Deployment of existing technologies at scale is essential, but so is continued funding for discovery science and new technologies. Climate policy should also enable the United States to deploy technologies domestically and globally.

It is important to be cognizant of the fact that the climate challenge is much broader than the power sector. The power sector plays a central role and has already made substantial progress in reducing emissions – largely because policies, technologies, economics, and public support are all aligned in that direction – but policies and action are needed in transportation, buildings, and industry as well. Indeed, those sectors will be relying to an extent on the grid to reduce

their emissions. The power sector can lead, but it will be more economic to look at the entire, economy-wide supply curve of carbon abatement options.

Bipartisanship

The divisions in this relatively evenly divided Congress appear to be particularly wide, deep, and personal. Most would agree that a bipartisan pathway on climate policy is preferred, but it may be unattainable in a media and political ecosystem with echo chambers that vilify people in the middle and that make everything into an ideological battle, whether it is a non-rigged election, wearing a mask, or climate change. Still, there may be some potential for bipartisanship – if for no other reason than the fact that key actors in Congress, particularly a few from coal states, are putting an emphasis on finding bipartisan paths forward on climate and energy.

The fact that a large bipartisan energy package was just adopted at the end of 2020 suggests it may be possible to accomplish again. Getting that legislation enacted involved leaders from both parties spending years working through long lists of ideas and proposals from numerous members of Congress; enough people had a stake in the legislation and wanted it to pass. One potential area of bipartisanship in the current Congress could be funding the programs authorized in that law. While the Energy Act of 2020 is now on the books and authorizes lots of new investments, authorizations are like checks in a checkbook that still need to be written – appropriations are needed to actually deploy funds to the programs.

Investing in a broad range of technologies can get broader political support. To achieve bipartisanship on climate policy in this Congress, fossil fuels will have to be part of the mix, which means carbon capture, utilization, and storage (CCUS) is vital. Again looking to the Energy Act of 2020, carbon capture was the technology that made out the best both in terms of innovation investments and incentives. The United States could play a key role in bringing down the costs of CCUS for the world.

The power of corporate voices and dollars to move policy through on a bipartisan basis also should not be underestimated. Getting CEOs speaking up will be critical, and more large corporate energy buyers are starting to get engaged in federal energy policy issues. These companies bring jobs, infrastructure, economic benefit, and growth to states, and they are not engaged in policy arenas to promote their own products, so policymakers are keen to hear from them. Business-supported climate policies that are designed to be market-enhancing (not market-squelching) could open the potential for conversations with members of Congress who tend to be more market-oriented in their preferred solutions.

In addition, there is more potential for bipartisan movement on narrower issues – such as modernization of grids, cyber security, forest policy, or wetlands management – than on a sweeping, comprehensive climate package. These could be areas to find common ground to reduce emissions, promote innovation, and create jobs. For example, decarbonization, environmental justice, infrastructure, resilience, labor, and many other issues and interests all intersect in improving the grid. It is unclear, though, if such bills would drain the will to pursue more ambitious policy or empower bipartisan actors to build from a narrow start. Achieving

the necessary levels of climate ambition does not allow for a narrow policy approach if that is where the policy action stops.

Ambition

Addressing the climate crisis requires ambitious policy. There may be a relatively small political window open now in which to get robust climate policies adopted, so there should be a sense of urgency to actually do so. Ambitious U.S. action is a key factor not only in advancing decarbonization domestically, but also in driving ambition and action globally.

There are numerous climate-related proposals in Congress. The perfect should not be the enemy of the good, but some argue that the good has to be big enough to address the problem. Just in the power sector, there are proposals ranging from an 80% reduction by 2050 to a 100% reduction by 2035. There is a multi-gigaton difference between those two goals for the power sector, and a ton reduced earlier is more valuable than one reduced decades later. Accelerating reductions in the power sector is critical, as that is where the reducible tons will primarily be found over the next decade. In addition, if the power sector is key to decarbonizing other sectors, and if decarbonization of the economy by 2050 is the goal, then the power sector has to be decarbonized earlier.

Some maintain that adopting policies to address climate change should not involve negotiating on ambition. The necessary emission reduction curve now is very steep, and the ambition cannot be where compromise happens. Ambitious climate policy, though, must involve listening carefully to concerns about achieving that ambition. The combination of high ambition and my-way-or-the-highway will not work. Instead, there must be clear listening and approaches that build in flexibility, optionality, and other policy designs to bring people to the level of ambition needed. A broader set of people can be brought into the tent by having processes that include them and policy design and implementation that address their concerns.

Durability

There are many views on what creates durable policy – and on what durable policy even is. Durability can mean many things. It can mean a policy that can survive court challenges. It can mean a policy that can be reliably implemented, including with adequate agency staffing and spending. It can mean a policy that gets passed and does not get altered or repealed. Congress, however, revisits legislation frequently, whether for technical fixes or big amendments (e.g., the Clean Air Act amendments of 1990). If a climate bill hopes to set targets out through 2050, it is unlikely that Congress will not revisit the legislation again for 30 years.

Ideally, durable policy would be inclusive, encompassing parties, regions, technologies, communities burdened by pollution, and communities fearful of and hurting from the energy transition. This is because durable policy requires broad support. In Congress, that would mean bipartisan support, but some argue that ambition cannot be sacrificed for bipartisanship and that partisan climate policy could still be durable.

It is not clear that bipartisanship, even if desirable, is necessary for durable policy. Something that is neither bipartisan nor has public support will not be durable, but something that is not bipartisan but does have public support could be. The Affordable Care Act is one example. It passed on partisan votes, has been subject to constant attempts to repeal and undermine it, and yet in 2020 saw its highest level of public support since its enactment. Key provisions of it, such as protections for pre-existing conditions, are broadly popular regardless of party affiliation. While bipartisanship increases the potential for durability, the most durable policies see strengthened support over time because the benefits accrue broadly, opposition fades, and new allies emerge. Sometimes, those policies have to be initially passed with just enough support, even if all or mostly from one party, with public support over time pulling along the bipartisan support that was not there in the beginning. There is now broad public support for climate action as well.

On the other hand, when policies are rammed through Congress in a partisan manner, such as through budget reconciliation, politicians take positions that are hard to move, setting up a we-versus-them dynamic that poisons future efforts and alienates people. Some argue that pursuing a party-line budget reconciliation approach wastes time that could be spent building support from 60 senators. From a business perspective, it also erodes predictability; if a policy is consistently attacked and political winds change, businesses do not have confidence in the policy's durability.

Regardless of the role of bipartisanship, broad support from a range of constituencies is key to policy durability. Policies should consider how to address the transition to the desired outcome, to avoid mobilization of constituencies that are affected negatively and to build support by providing benefits broadly. For climate policy, it is critical to direct investment to a fair transition for communities and workers being left behind by the transition and feeling the pain of a changing economy and energy mix. Attention to equity and justice for pollution-burdened communities also has to be a central part of the policy package. In addition, it is essential to ensure the energy transition maintains affordable, reliable energy and enhances resilient infrastructure. Well-designed policy can do those things and build a broader consensus.

Durability is not just about the policy design but also about policy implementation. The follow-through matters. Implementation of a policy in a way that ensures a broad set of citizens experience the value and importance of it engenders greater support and durability.

In addition, though, policies that can create concentrated benefits in some actors can also be more durable. The acid rain program under the Clean Air Act, for example, let companies bank allowances under the cap-and-trade program, giving emitters a capital stake in the long-term continuation of the policy. Likewise, when policies incentivize innovation, early adopters have a vested interest in the durability of the policy.

Appropriations by Congress and spending by an Administration can be another form of durable policy. Procurement and deployment of technologies at scale has extremely durable ramifications, as the 2009 stimulus package's investments in deployment of renewables made

clear. The 2009 package, though, also missed opportunities for durability in its low-income energy efficiency investments. The Obama Administration directed billions of dollars in low-income energy efficiency grants through the nonprofit community action programs that run weatherization programs; this missed a chance for a public-private partnership with labor unions that wanted to coinvest their assets on top of the grants. Those private assets could not be tapped, and the program wound down a couple of years later. Partnerships matter in durability.

Ownership is also key. For example, Franklin Delano Roosevelt's rural electrification initiative has been hugely popular and durable because it enabled community-based ownership of electric utilities across the country. Rather than just allocating grants to constituencies, policies that can build and embed community ownership (e.g., loan-loss reserves, using public dollars to leverage private-sector capital) can be more durable.

Durability can also come with clarity – i.e., an ambitious target that is achievable. For example, even though Congress defunded the light bulb efficiency standard (which means no appropriations to support it), the mandate has achieved widespread compliance ahead of schedule. If Congress could at least agree on legislating the climate goal – how far and how fast – that could prove to be durable.