

To: Beth Patrino, Committee Administrator, House Energy and Environment Committee
Re: Carbon pricing and the economy, in reference to HB 3470, HB 3252, and HB 3250
Date: April 13, 2015

Ms. Patrino:

I write to offer comments on the Oregon legislature's consideration of historic bills (HB 3470, HB 3252, and HB 3250) regarding the pricing of greenhouse gas emissions. With a variety of bills before the House Energy and Environment Committee, I would like to offer three distinct comments in support of legislative action in this area.

Prices: the essential signal in a market economy

We in Oregon are taking action on climate change in many ways – diverse efficiency programs, support for residential solar power, our Renewable Portfolio Standard for electric utilities, Senate Bill 844's program for low-carbon opportunities in natural gas use, and more. Yet there is one set of signals that economists agree to be fundamental and indispensable in stimulating behavior and investment in a market economy: prices.

Accordingly, the global policy community has singled out carbon pricing as the necessary first tool for addressing climate change. Other efforts, such as ours to date in Oregon, are important in and of themselves, and they can be valuable complements to carbon pricing. But they cannot be a substitute. Effective markets require prices that tell the right story. Greenhouse gas emissions have social costs, so they must be priced.

This consensus is reflected in the results of the World Bank's report *State and Trends of Carbon Pricing 2014*. The report documents that "39 national and 23 sub-national jurisdictions have implemented or are scheduled to implement carbon pricing instruments, including emissions trading systems and taxes." These include nearby economies such as California and British Columbia, as well as important Pacific Rim trading partners such as China, Japan, South Korea and Thailand. This path – that is, putting a price on carbon – is now understood to be the path of policy leaders everywhere.

The low-carbon economy: tremendous promise for Oregon and beyond

Thought leaders in the corporate world now understand not just the inevitability of climate policy that includes carbon pricing, but the desirability of it. These corporations understand that we must have a consistent, measured transition to a low-carbon economy, and that such a transition is necessary for their long-run success.

It is difficult to gauge such dispersed consensus, but we can hear this corporate support for policy action directly from many companies. Over 200 major Oregon companies – in sectors as diverse as construction, IT, food, brewing, and consumer brands – have signed the Oregon Climate Declaration (<http://www.ceres.org/declaration/sign/oregon-business-climate-declaration>), a clear call for strong climate change policy by the state. At the center of this call is carbon pricing, through either a carbon tax or a cap-and-trade system.

This regional action is echoed in national support for carbon pricing and climate policy in more and more venues with every passing day. The national Climate Declaration, with which

Oregon's is affiliated, now has more than one thousand signatories, as well as a parallel California Climate Declaration. And the Carbon Disclosure Project, a voluntary registry of major corporations' climate change emissions and strategies, now regularly receives *voluntary* responses from over 65% of the S&P 500 companies.

Protecting vulnerable people and industries in transition

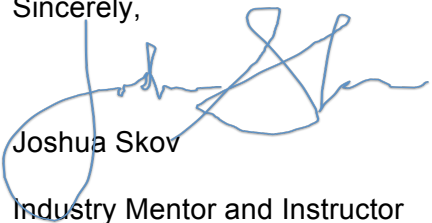
Despite this support for what is increasingly viewed as necessary action, careful observers agree that the transition to a low-carbon economy will not automatically be smooth, easy, or inexpensive. The Oregon Legislature should, wherever possible, seek mechanisms that shield the most economically vulnerable individuals and communities from unjust burdens in transition.

The same is, in part, true for industry. However, our transition assistance to industry must never shield firms and technologies from the essential *price signal* that is the tool through which we will foster the transformation of the economy to low-carbon means. Instead, we must look for ways to help companies pursue energy efficiency, new methods, new materials, and new technologies that meet the same purposes while reducing greenhouse gas emissions.

We know that such a future is possible because we have already begun that journey here, and elsewhere.

Thank you for your consideration.

Sincerely,



Joshua Skov

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(affiliations are for identification purposes only)