

Energy Policy Case Study

The Balancing Act

POLICY CONTEXT

In 2008, the issue of climate change was at the forefront of the federal legislative agenda. Although the concept of establishing a price on greenhouse gas (“GHG”) emissions had gained significant momentum, the design and implementation of an appropriate policy instrument was still a focus of intense debate. In addition, many stakeholders were concerned about the potential impacts that a carbon pricing regime would have on U.S. economic growth. Amid this backdrop, Business Roundtable (“BRT”) commissioned Keybridge to study the potential role that technology could play in reducing the economic costs associated with implementing a cap-and-trade program or carbon tax. Specifically, there were three important policy questions:

- (1) What are the likely economic and environmental impacts associated with legislation that establishes a price for GHG emissions?
- (2) To what extent can the development and deployment of a balanced portfolio of technologies improve those outcomes?
- (3) To what extent can policy leadership accelerate the development and deployment of that portfolio and further improve those outcomes?

APPROACH

To answer these questions, Keybridge worked closely with eight working groups comprised of BRT staff, as well as economists, engineers, and policy experts from BRT's member companies. Each working group was tasked with evaluating a particular “cluster” of technologies (e.g., building efficiency, renewable power generation, nuclear power). With input from these groups, Keybridge developed technology-specific cost, deployment, and efficiency projects through 2050 under five different carbon price and policy scenarios. Keybridge then worked with the University of Maryland's Inforum Modeling Project to simulate these projections using the LIFT model — a highly-respected dynamic model of the U.S. economy. The results were then evaluated to determine the extent to which policies that accelerate the pace of technology development and deployment could reduce the economic impacts associated with adopting a price on carbon. Keybridge assisted BRT with publication of a final report.

RESULT

The Balancing Act provided a thoughtful, comprehensive assessment of the role that technology can play in a carbon-constrained world. The report was used extensively by BRT to improve its visibility on energy and environmental issues and to engage federal policymakers regarding issues that could potentially accelerate the development and deployment of new technologies — thereby mitigating the negative economic impacts associated with implementing a price of GHG emissions.