JOHN KAUFMANN
COMMENTS RE: HB3250 AND CARBON PRICING
HOUSE ENERGY & ENVIRONMENT COMMITTEE
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My name is John Kaufmann. I was an energy policy analyst for 35 years with the Scientists Institute for Public Information in New York, the Oregon Department of Energy, and the Pacific Northwest National Laboratory in Washington. Before that I also had my own swimming pool construction business for several years. I currently serve as a Fellow with the Post Carbon Institute, and am involved with Oregon Climate in support of HB3250. I am retired and live in Salem.

I trust I don't have to spend time convincing this committee of the reality of climate change. Suffice to say that the epic drought in California, the record-low snowpack in the Cascades, and extreme weather across the country in recent years illustrate the immediacy and sweep of the issue.

Change is inevitable. It will be forced on us sooner or later. We can try to manage that change, or resist and be swept along kicking and screaming. Action needs to occur at all levels – national, state, local, corporate, and individual. Just because Congress won't act doesn't mean the states and others shouldn't do what they can.

Businesses that have pioneered and developed the technologies, products, and policies to respond to this issue will be the leaders in and profit from the transition to the post-carbon economy. By acting early, we can ensure some of that happens here in Oregon.

We wish to work within the framework of the market as much as possible. However, the market system is imperfect. The long-term costs of carbon pollution are not reflected in the price of fossil fuels. Thus it is incumbent on government to act to address this imperfection.

We can wait until the long-term costs are fully upon us. However, by that point the climate and its impacts will not be reversible in our or our children's lifetimes – the effects won't heal themselves quickly when we finally decide to cut emissions. We will be forced to adapt, like it or not. Better, I believe, to begin with some small adjustments now, while simultaneously taking some action to prevent the worst of the impacts. The Stern Report in Britain a few years ago estimated the costs of acting now to be much less than waiting.

The other two ways to address carbon pollution are to put a price on carbon or to cap emissions. HB3250, my favorite of the bills before you, combines elements of both. It would establish a cap on carbon emissions and a schedule for ongoing reductions. The Department of Revenue, in conjunction with DEQ, would auction off emissions permits, similar to U.S. Clean Air Act provisions for SO_x and NO_x adopted during the Bush Administration in 1990.

The Congressional Budget Office estimated that a carbon price of $20 a ton would add about 20 cents to the price of a gallon of gasoline, and would reduce emissions about 8 percent by 2021. The actual price would float depending how quickly, cheaply and easily energy efficiency, renewable energy, production methods, and consumer behaviors can be developed and adopted. The resultant price signal and market competition will drive this process.

Rather than going to government programs, the revenue that is raised will be returned to Oregonians on a per capita basis, ensuring revenue neutrality. This approach will also help low-income citizens afford the higher cost of energy and, we believe, avoids the issues raised by Article IX of the Oregon Constitution.

Would carbon pricing hurt Oregon businesses, as suggested by industrial users in the Sunday's Oregonian? Experience with a carbon cap in New England and a carbon tax in British Columbia indicate that GDP has as fast or faster than elsewhere in their respective nations, and GDP continues to grow with carbon caps in California and the European Union.

I believe climate action can be a net positive for business. Forward-looking companies would use this as an opportunity to market themselves as leaders in sustainability and to position themselves as leaders of the future. Those who resist will be left behind as the cost of our present course become apparent, climate impacts worsen, energy price and supply shifts, and consumer behavior and preferences change. To the extent business may be temporarily disadvantaged in national or international markets which don't price carbon, one alternative would be to return some of the carbon revenue to industry and agriculture to help with the transition.

I applaud this committee, as well as the legislature in general, for passing SB324. However, that bill is only an extension of a limited first step adopted in 2009, and would reduce carbon content in motor vehicle fuels only by 10 percent. Much more is needed – something that progressively reduces *all* carbon emissions – and a broad carbon cap tackles the issue more comprehensively and directly. It should not be put off simply because you're tired after SB324. One would be hard-pressed to come up with an issue more important to our future. I urge you to act on this issue this session.