

Initial Charrette Straw Proposals to Open Markets (*Faster*) for Innovation

CCLC2020 Zoom Charrette – Thursday, September 24, 2020

Goal: the following straw proposals are meant to stimulate (a) suggestions for improvements, development or implementation, or (b) suggestions for alternative proposals for free market strategies to rapidly open US and world markets to accelerated innovation and deployment of clean solutions. These proposals emerged from earlier CCLC work, but have not been specifically vetted by charrette for the goal of opening markets faster for clean innovation, globally.

Free market strategies are defined as policies that remove tax, trade and anti-competitive barriers for harmless, beneficial activities, or expand freedom and free markets.

I. Incentives for Competition:

- (1) **Co-Victory Bonds & Loans (CVBLs):** CVBLs are a simple, cost-effective COVID recession recovery tool: private, tax-exempt debt for everyone, bonds and loans, 5 year term, available for two year recovery period. Lowers the cost of debt by ~30%, and raises return on equity, so potentially boosts both debt and equity investment for some business models. Very participatory for small businesses ready to resume business. Helpful capital accelerant economy-wide. Especially beneficial for all clean energy infrastructure, without being labelled as a clean energy incentive. Incentivizes competition by giving a strong advantage to private businesses and independent clean infrastructure developers. Not permitted for use by state authorized monopolies. Encourages growth of, and movement towards, more competitive markets. See:

<https://f85.0cd.myftpupload.com/wp-content/uploads/cclc-art-forbes-wayne-cvbl-ovid-covictory-200806.pdf>

and

<https://www.ourenergypolicy.org/free-market-clean-energy-proposals-for-the-stimulus-and-beyond/>

- (2) **Clean Asset Bonds & Loans (CABLs):** Like CVBLs, CABLs are also private, tax-exempt debt, bonds and loans, but for longer terms, but specifically targeted at a wide range of clean infrastructure to be as technologically neutral as possible. They help price the cost of emission externalities with a tax cut for non-emitters. Like CVBLs, CABLs will strongly accelerate clean infrastructure deployment, and incentivize competition, by giving an advantage to private infrastructure developers versus monopolies. Has been drafted in legislative language as the “Clean Free Market Act.” See:

<https://f85.0cd.myftpupload.com/wp-content/uploads/Policy-Brief-3-Tax-Exempt-Clean-Asset-Bonds-Loans-CABLs.pdf>

and

<https://f85.0cd.myftpupload.com/wp-content/uploads/cfma-fedleglang-190901-1.pdf>

II. Incentives for Competition and Free Trade:

(1) **International Tax Reciprocity for CVBLs or CABLs, as an FTA and Anti-ACMD incentive:**

CVBLs or CABLs can function as an incentive for free trade as well as competition, the carrot being the prospect of vast international tax-advantaged capital flows, if nations agree to lower trade and anti-competitive market barriers. Tax reciprocity means private project developers in participating nations could issue debt, bonds or loans, which would be tax-exempt for citizens in every participating nation. This would create a very large capital market for both such tax-exempt debt, and the associated taxable equity, very advantageous for nations with access to that large investor pool. Nations that join gain a competitive advantage over nations that do not, creating a bandwagon effect. Such a framework could accelerate COVID recession recovery, clean energy deployment, and expand free trade and open markets. Large open markets not only spread innovation more broadly and rapidly, they also make the rewards of innovation greater, providing the best possible incentive for new innovation. One version of this proposal is the international version of the Clean Free Market Act, though more realistically it should be part of a trade agreement addressing ACMDs and power market competition. See:

<https://f85.0cd.myftpupload.com/wp-content/uploads/ctc-cfma-conceptsummary-180828.pdf>

III. Disincentives for Monopolies and Subsidies:

- (1) **“No Subsidies for Monopolies”:** This would be a federal, local or even foreign policy. Federally, for instance, this might mean no authorization of the use of tax credit subsidies or tax exempt debt financing for monopoly power generators, on the grounds that we now know that power sector monopolies are unnecessary, environmentally inferior, less robust, and a waste of both federal and consumer dollars.
- (2) **Demonopolization Tax Cuts:** Monopolies that unbundle and sell off assets, so that markets become fully and rapidly competitive, would realize tax free gains for their investors, who would score a large immediate profit. Monopolies would dissolve or transform into ordinary private competitors. Everyone would win, monopoly investors, new competitors, and consumers. There would be zero federal tax expense, because these sales would never take place without enabling legislation.
- (3) **Clean Tax Cut Subsidy Substitution:** Phase out all conventional subsidies more easily by substituting more beneficial Clean Tax Cuts (like CABLs) based on rewarding the elimination of negative externalities with marginal rate cuts for profitable technologies. Private, zero emission baseload generators would be entirely tax free, because of their high environmental value, but otherwise unsubsidized. Could be part of an FTA or national law.

IV. Declarations and Commitments:

- (1) **Human Right to Produce, Buy or Sell Clean, Safe Energy:** Such a right would essentially mandate competitive power markets and make monopoly markets a human rights violation. Could be included in an FTA or national law. See:
 - a. [House Clean Future Act](#) (linked) Page 91, Section 217 subsection B and C (it's two paragraphs, so quick and easy to read). these two sections would establish a "Right to Clean Energy" and make RTO participation mandatory
 - b. [The Declaration on Energy Choice & Competition](#) calls for recognition of such right.
- (2) **Clean Open Market International Commitments (COMIN Commitments):** These are a pledge to raise **COP26** national carbon targets, but exclusively by free market means, specifically by opening markets to clean solutions. As the host of COP26 in 2021, the UK has an obligation to work to raise the climate ambition, and specifically the NDCs of Paris Accord nations. But many nations do not wish to do so, fearing the cost and economic impact of such an unqualified commitment. COMIN Commitments remove that fear by specifying that the means must be exclusively free market oriented, removing tax trade and anticompetitive barriers for clean solutions. While general free market advocates are leery of normal NDC commitments as expensive, empty promises without realism or payoff, a commitment to raise ambitions by free market means will ultimately advance free markets and prosperity. And offers a more cost-effective and powerful means to address climate change. Free market solutions have been largely missing from COP discussions. The "COMIN Commitments" concept not only provides a seat at the table, it lays down a rather long bench.