
Capitalism can solve the climate change problem

by Charles Hernick | September 24, 2018 12:00 AM

The polls vary but the trend is disappointingly clear: **Capitalism is falling out favor** with certain segments of the population, particularly young adults who are **equally positive** about socialism as they are about capitalism. Despite a **record-breaking decade of economic expansion**, better take-home pay, and a job for nearly anyone who wants one, our economic and political systems have failed to solve key problems. When it comes to promoting clean energy and taking steps to reduce greenhouse gases driving climate change, Republicans and Democrats agree **steps are needed**, but too often actionable policy solutions have been out of reach.

Advocates of change are working together to develop actionable policy ideas focused around reducing market barriers, reducing pollution, and increasing economic growth and justice through free enterprise. Our goal is to speed the vetting and uptake of policies that achieve better environmental and public health results through capitalism.

After a lost decade, federal climate policy is being seriously debated again. In just the past year, Republicans and Democrats on Capitol Hill have introduced climate legislation. Unfortunately, the distance between the proposals is reminiscent of partisan approaches to healthcare reform. At the other end of Pennsylvania Avenue, the White House's proposed Affordable Clean Energy rule correctly stays within the scope of the Clean Air Act, but will be challenged in court unless more stringent targets are established. Congress and the Trump administration can do better by starting with a proposal that empowers states, municipalities, and businesses and builds off their mosaic actions, instead of imagining policies from whole cloth.

There's been a lot of work done already. Nine northeast and mid-Atlantic states and California have employed cap-and-trade systems to reduce greenhouse gases for more than a decade. Compliance costs were lower than expected, and the economic and environmental benefits were so great that earlier this year Democratic and Republican governors and state legislatures pledged to drive down greenhouse gas emissions further over the next decade. Separately, more than 3,500 mayors, governors, CEOs, college presidents, faith organizations, and tribal leaders have moved to similarly track and reduce emissions in "**We are Still In**"

commitments. Because many companies struggle to cut emissions in their own operations, the purchase of offset credits allows them to compensate for reduced emissions elsewhere.

The tool has proved to be popular and resulted in a **\$28 million** voluntary offset credit market.

America's private and public sectors have made great strides in deploying clean energy and reducing emissions, but there is currently no way for these accomplishments to be documented and organized on a single system where their collective impact can be better understood by investors – and our friends abroad.

Establishing a voluntary federal framework for carbon reporting and offset exchange will increase transparency and accountability, increase investment in clean energy and offsets, and further decrease U.S. greenhouse gas emissions.

This type of limited federal effort could help protect investors and maintain fair and orderly functioning of voluntary carbon markets. State compliance markets would still need their own enforcement mechanisms. But for private actors in the voluntary carbon space, the federal stamp of recognition could crowd-in investment the way that **Energy Star** mainstreamed energy efficiency in the early 1990s through a voluntary program. Perhaps most importantly, voluntary greenhouse gas emissions registry and standards for carbon offsets will not invent a new federal system that attempts to supersede state progress.

In short, the federal government won't dictate how carbon emissions will be reduced, but individuals and capital markets will have centralized access to information from companies that opt in and choose to lead in this space. A voluntary greenhouse gas emissions registry and standards for carbon offsets sets up a race to the top for environmental and economic performance.

This proposal for better accounting and information may not be enough to meet climate change goals. Other market-driven proposals are being developed that will lower taxes and other barriers to capital that will further drive investment in low-polluting or emissions-free technologies. The marketplace of ideas must assure a reliable supply of actionable policy solutions for lawmakers who want to fulfill their election promises in a way that is good for businesses, consumers, and the environment. To that end, clean capitalism can bring about the changes needed to address climate change.

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