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# An Interview with Energy/Environmental Expert James Strock: The American Clean Energy and Security Act

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Long before "sustainable" and "green" became commonly heard, [James Strock](#) [1] was an expert and enforcer in the practices.

He has served the causes of renewable energy, energy conservation and environmental stewardship for two decades as Assistant Administrator for Enforcement for the U.S. Environmental Protection Agency, founding Secretary of Environmental Protection for the State of California, and, today, as a consultant and lecturer for governments and organizations around the world.

With the U.S. House of Representatives recently passing historic legislation on climate control and energy usage, we asked Mr. Strock about the bill and his vision for the future of renewable energy.

***Many people know that the U.S. Congress just passed a climate control bill, officially called The American Clean Energy and Security Act. Not as many people know the bill's components and specific goals. Please give us an overview.***

To get a sense of the House legislation, it's useful to put it in the context of the Obama Administration's four-pronged climate change strategy. At its core, the strategy is aimed at raising the cost of traditional, carbon-based energy, thereby increasing the relative value of alternatives.

The first prong is the seed money from the "stimulus" legislation that is aimed toward clean energy. A useful summary is provided by the [American Council on Renewable Energy](#) [2].

The second is Corporate Average Fuel Economy standards. The Administration tightened the federal CAFE standards and expanded their scope in [May 2009](#) [3].

The third is the cap on emissions of greenhouse gases. This is what the House bill, known as Waxman-Markey, is intended to achieve. By its terms, emissions must be reduced 17% by 2020 from 2005 levels. By 2050, emissions must be reduced 80%. The system is intended to work by setting a hard cap on overall emissions, to be reached by allowing companies to have tradable allowances for greenhouse gases they emit. A useful summary can be found at [Energy and Capital](#) [4].

The fourth is the prospect of a national renewable portfolio standard. This is an enforceable set of requirements for the use of alternative energy sources. The Waxman-Markey legislation includes provisions moving in this direction. A summary of the issue and the current state portfolio standards is compiled by the [Pew Center of Global Climate Change](#) [5].

***Cap-and-trade, the crux of The American Clean Energy and Security Act, is promoted as the best balance between cost and emission reduction, supported by studies dating to the late 1960s. You're on record as favoring a carbon tax over cap-and-trade. What do you see as flaws in the cap-and-trade model?***

Under command-and-control regulation, companies operate under government-issued permits for specified emission levels. For numerous reasons, this approach does not encourage innovation, and can even be counter productive when companies choose to maintain older facilities rather than upgrade to new technologies.

The promise of cap-and-trade is to supplant that system. By allowing companies to trade permits among themselves, in an environment of a decreasing cap, it's intended that technological innovation will be encouraged. The higher costs of carbon, in this case, are intended to result in it finding its most efficient use.

Cap-and-trade has had successes in the United States, most notably in the remarkable, cost-effective reduction of sulfur-dioxide emissions under the Clean Air Act Amendments of 1990. The Environmental Defense Fund, which was involved in that legislation, has a good summary.

There are significant challenges, though, applying cap-and-trade to the risks of climate disruption. First is the political nature of the process of defining and allocating allowances. Second is the temptation for the federal government to transfer the revenues toward uses other than technology development. Third, for cap-and-trade to work, enforcement must be vigorous and potentially intrusive. It is not clear that such an enforcement regime is anticipated or forthcoming. Fourth, the overall administration of the program risks being politicized, a venue for interest group give-and-take. This is widely viewed as a reason the European Union's trading scheme has not met expectations.

***How would a carbon tax work in lieu of cap-and-trade?***

Almost every economist, many people in industry (other than those who can carve out benefits in the cap-and-trade legislation), and many environmental advocates (including James Hansen of NASA), conclude that a carbon tax is preferable to cap-and-trade, at least as it is being

enacted. I share this view.

A revenue-neutral tax on carbon could encompass the range of carbon-producing substances. It would be much simpler to administer, much less prone to a dysfunctional political process, and more encouraging of market forces prompting technological advancement. It could be phased in over time, which would enable affected industries, from automotive to utilities to manufacturing, to make adjustments. Overall, the costs and benefits of a carbon tax can be much more transparent and straightforward than a cap-and-trade system, at least as currently being considered.

A carbon tax regime would also hold promise of much greater effectiveness than current policy (especially CAFE standards, which are basically a regulatory alternative to a fuel tax) in a related area of national concern: cutting United States dependency on petroleum imported from unstable or unfriendly countries.

For consumers, the costs imposed could be shifted to cut other taxes. Many would suggest, especially in a recession, that carbon tax revenues could be applied to reduce payroll taxes. As payroll taxes are regressive and a disincentive to hiring, this has compelling logic.

Should we aim to cut taxes on things we want more of--income, savings, payroll and investment--and raise taxes on things we want less of, such as pollution? Such a shift, in the case of pollution would also give a boost to the development of exportable technologies as the entire world comes to terms with the environment and energy conundrum in the years ahead. [The Carbon Tax Center](#) [6] has a good summary of the issues relating to carbon taxes.

***Proponents of cap-and-trade say that it creates a legal limit to emissions, the cap, which a carbon tax lacks. Can a carbon tax reduce emissions without enforcing a legal limit on them?***

There is no theoretical reason a carbon tax could not be combined with enforceable metrics, such as on emissions or oil importation.

***You were chief enforcement officer for the U.S. Environmental Protection Agency. How do we police pollution? How do we encourage better environmental practices in the first place?***

Environmental law enforcement, combined with ever-increasing information and transparency, has resulted in remarkable environmental accomplishments in the past generation. Companies and others who used to argue that environmental goals were impossible now seek to earn public trust as environmental stewards. Credible enforcement was a key factor in that transformation.

For the future, it is essential that a strict enforcement backdrop be supplemented with ever-increasing regulatory flexibility to develop new technologies and better practices. Regulations of the future should be focused on transparency. I'm quite confident that the more we see, the more information we share, the better the compliance will be. This will also empower all manner of non-governmental institutions and individuals.

One should also recall that in many cases, the best information on violations comes from folks who are sophisticated, in a position to know the score, and are motivated to act: corporate competitors who are doing the right thing.

***Can we move from fossil fuels to renewables without major government intervention, or are the costs and the technological and societal changes too big to leave to market forces?***

My view is that history indicates that market approaches are potentially more effective than top-down regulation. That said, the critical importance of this issue suggests to me that we should decide our goals and work back, rather than letting our disagreements on means paralyze us in dangerous inaction.

There are a range of issues that arise from our over-consumption and under-valuation of petroleum: environmental; strategic; trade; financial; and, business. For a good summary of these issues, see the informative Web site of [Set America Free](#) [7], an advocacy group led by James Woolsey, Gal Luft, and Anne Korin. [DISCLOSURE: James Strock supports this group and is a signatory to its mission statement.]

We all know it. If you want to get a reality check, read President Nixon's [State of the Union address from 1974](#) [8]. Yes, 1974. Regrettably, the energy-environmental section could be delivered with little change today--though the basic facts before us are even more daunting.

Each of America's recent presidents has entered office with plans to alter our use of petroleum, in keeping with the other challenges of the moment. None has succeeded in leading toward serious actions that include accountability through basic metrics, such as reducing our dependency on imports from unstable or dangerous sources.

The common thread is that each president subordinated these issues to others. The resulting energy-environmental policies were, ultimately, incoherent.

One hopes that we are not witnessing that yet again. The stakes are, quite simply, too high.

[The Environmental Defense Fund](#) [United States](#) [American Clean Energy and Security Act](#)  
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[1] <http://www.jamesstrock.com/>

[2] [http://www.acore.org/files/images/email/acore\\_stimulus\\_overview.pdf](http://www.acore.org/files/images/email/acore_stimulus_overview.pdf)

[3] [http://www.whitehouse.gov/the\\_press\\_office/President-Obama-Announces-National-Fuel-Efficiency-Policy/](http://www.whitehouse.gov/the_press_office/President-Obama-Announces-National-Fuel-Efficiency-Policy/)

[4] <http://www.energyandcapital.com/articles/cap-and-trade/904>

[5] [http://www.pewclimate.org/what\\_s\\_being\\_done/in\\_the\\_states/rps.cfm](http://www.pewclimate.org/what_s_being_done/in_the_states/rps.cfm)

[6] <http://www.carbontax.org/>

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