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**From:** Currie, Duncan [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DUNCAN.CURRIE]  
**Sent:** 30/01/2017 15:50:26  
**To:** Nolan, James [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=James.Nolan]; Ung, Poh Boon [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=PohBoon.Ung]; Brien, Michael P [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Mike.Brien]; Guido, Robert [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=ROBERT.GUIDO]; Guinn, Shanan [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Shanan.Guinn]; Kolenda, Sally [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Sally.Kolenda]; Milley, Mary [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Mary.Milley]; Moran, Ralph J [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Ralph.Moran]; Stout, Robert [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Robert.Stout]; Stutz, Rachel [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Rachel.Stutz]; Swink, Suzanne [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Suzanne.Swink]; van Hoogstraten, David Jan [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=David.vanHoog]; Williams, Lance [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=E.Lance.Williams]; Wolf, Tom [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Thomas.Wolf]  
**Subject:** RE: Readout - Carbon taxes: Public finance vs. public choice (AEI Event)

Thanks so much to Poh for attending this event and providing such detailed notes.

Just FYI: Zycher is the AEI scholar who debated Jerry Taylor in June of 2015, at the same event where Senators Whitehouse and Schatz unveiled their carbon-tax proposal. Here's a transcript of the event, in case you're interested:

<https://www.aei.org/wp-content/uploads/2015/05/Transcript.pdf>

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**From:** Nolan, James  
**Sent:** Friday, January 27, 2017 2:40 PM  
**To:** Ung, Poh Boon; Brien, Michael P; Currie, Duncan; Guido, Robert; Guinn, Shanan; Kolenda, Sally; Milley, Mary; Moran, Ralph J; Stout, Robert; Stutz, Rachel; Swink, Suzanne; van Hoogstraten, David Jan; Williams, Lance; Wolf, Tom  
**Subject:** RE: Readout - Carbon taxes: Public finance vs. public choice (AEI Event)

Thanks Poh! More on Zycher who likes to be provocative: he said we have other high consequence, low probability risks like climate change that we don't address, such as an alien invasion. Why address climate risk if we aren't addressing the risk of an alien invasion. He was challenged by a panelist that the climate risk is a higher probability than an alien invasion but that point did not take hold.

Zycher, Kreutzer and Holmstead agree that we will never get a clean carbon tax with the burden of command & control regulations removed. We generally agree with that point but think we could avoid the burden of future command & control rules and those future rules will be far more burdensome than anything that is already in effect. From BP's perspective, the really big climate command & control regulation would be a future Refinery GHG rule (similar to the CPP) and we could avoid that rule with a carbon tax. Of course, a Trump Administration will not promulgate a Refinery GHG rule so the benefit of a carbon tax to BP is diminished for the time-being.

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**From:** Ung, Poh Boon  
**Sent:** Friday, January 27, 2017 12:41 PM  
**To:** Nolan, James; Brien, Michael P; Currie, Duncan; Guido, Robert; Guinn, Shanan; Kolenda, Sally; Milley, Mary; Moran,

Ralph J; Stout, Robert; Stutz, Rachel; Swink, Suzanne; van Hoogstraten, David Jan; Williams, Lance; Wolf, Tom  
**Subject:** Readout - Carbon taxes: Public finance vs. public choice (AEI Event)

All –

I managed to sit in on a carbon tax event organized by AEI yesterday (1/26); below are some notes from the event. Jim also listened in and may have additional thoughts. You can also view a recording of the event here if interested:

[http://www.aei.org/events/carbon-taxes-public-finance-vs-public-choice/?utm\\_source=paramount&utm\\_medium=email&utm\\_campaign=zycher&utm\\_content=followup](http://www.aei.org/events/carbon-taxes-public-finance-vs-public-choice/?utm_source=paramount&utm_medium=email&utm_campaign=zycher&utm_content=followup)

- **Event Overview**

- *Carbon taxes: Public finance vs. public choice*
- Objective was to examine the policy analytics of carbon taxes and whether it is reasonable to expect an improvement in economic efficiency from such a policy
- Panel consisted of 6 “experts” with 3 proponents for a tax and 3 opposed. In addition to carbon taxes, some interesting back-and-forth amongst the panelists on climate change and the social cost of carbon (SCC)
- Additional information below based on order of presentations

- **Aparna Mathur**

- Economist at AEI and proponent of a tax; works quite a bit with Adele Morris at Brookings
- She presented on the use of carbon taxes as a fiscal tool and discussed the use of carbon tax to generate revenue and offset other existing taxes (corporate income taxes)
- Discussed use of EPA’s SCC estimate to set the tax level but acknowledged uncertainties with the estimates
- Acknowledged that carbon taxes are more efficient than command and control approach to tackle climate change

- **David Kreutzer**

- Formerly at Heritage Foundation; recently joined the EPA landing team
- Opposes a carbon tax and noted that science is “unclear on magnitude of warming”
- Main point was that he doesn’t trust policy makers with the revenue from the tax and how it will actually be spent – “can’t cart \$100 million without being robbed along K-street”
- Also noted the negative impacts of tax (lost jobs, GDP, etc). and that any warming reduction from a carbon tax would be minuscule
- Brought up the SCC estimates and was highly critical; mentioned concern that the SCC drops by 85% if EPA had applied a higher discount rate (7%) and that some models actually suggest a “benefit”

- **Roger Sant**

- Cofounder and chairman emeritus of the AES Corporation, current chair of the Summit Foundation
- Discussed the successes of the Clean Air Acts (1970, 1990) and application of a market solution to tackle climate change

- **Jeff Holmstead**

- Partner at Bracewell LLP and former EPA Assistant Administrator under Bush.
- CPP is “unlawful”; discussed how CO2 is different than the other criteria pollutants
- Acknowledged that a high carbon price (>\$100/ton) would be required to achieve Paris goals but that would not be politically acceptable
- Mentioned role for government in terms of R&D / new technology development
- Discussed prior meeting with Obama representatives where the idea of “swapping” current regulations with carbon tax was discussed; idea did not go very far and was basically dead on arrival

- **Rob Williams**

- Professor and University of Maryland and RFF senior fellow

- Reiterated benefits of a carbon tax (fixes a negative externality) and made the point that regulatory swap might not be necessary if a carbon tax makes (some) existing regulations non-binding
- Disagreed with other panelist on the use of 7% discount rate to estimate the SCC
- **Benjamin Zycher**
  - Resident scholar at AEI
  - Highly critical of carbon tax and SCC estimates
  - Also questions the science and modeling related to climate change
  - See attached for Zycher's slides for further details.

Let me know if you have questions.

Poh

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