



THE ENVIRONMENTAL ECONOMIST

An *Internal* Newsletter for the Office of Senator Maria Cantwell

Joe Sambataro

Week of June 20, 2005

Issue 2

Introduction

Here is Issue 2 of *The Environmental Economist*! Since I will be out of the office later this week and it is a busy time for all of us, this is a shorter issue. Again, my promise of salmon still stands. Enjoy.

In this Issue

- An innovation-friendly Energy Bill?
- Where in Washington?

An innovation-friendly Energy Bill?

As I mentioned last week, trade-offs do not have to exist between the economy and the environment. Two prominent authors, Porter and Linde¹, illustrate numerous cases of environmental regulations triggering innovation to lower costs or even add value. The following are just a few key principles:

- Focus on outcomes, not technologies
- Employ phase-in periods
- Enact strict rather than lax regulation
- Regulate as close to the end user as practical, while encouraging upstream solutions
- Use market incentives
- Harmonize or converge regulations in associated fields
- Develop regulation in sync with other countries or slightly ahead of them
- Require stakeholder participation from the beginning
- Develop strong technical capabilities among the regulators

The same innovation-friendly principles can apply to the emerging energy legislation that many of you are working on now. Maria Cantwell's legislative efforts continue to support an array of innovative enterprises, most notably those in technology, biodiesel, and ethanol. The recent agreement in the Senate for the Energy Tax Package uses tax incentives to promote renewable energy, but may not enact strict enough regulation to significantly impact our energy use. The Renewables Portfolio Standard encourages innovation by establishing tradable credits (certificates of proof) that one kWh of electricity has been generated by a renewable-fueled source. This will encourage innovation and reduce our dependence on nonrenewable energy as long as the policy continues to raise the minimum percent of renewable energy over time. As amendments continue to go in front of the Senate, we hope the legislation will encourage innovation and move towards a sustainable future of energy use.

¹ Porter, Michael E. And Claas van der Linde, Green and Competitive: Ending the Stalemate, *Harvard Business Review*, September-October 1995, pp.120-134.

Where in Washington?



Be the first and win a prize.
Hint: President Theodore
Roosevelt was a guest here.

In the Next Issue

- "Correctionary" taxes and the double dividend?

For more information about the author, visit www.people.cornell.edu/pages/jps59.
Please feel free to share your questions or comments in person or at joe_sambataro@cantwell.senate.gov.