CleanLaw 52: Ari Peskoe Speaks with Matto Mildenberger About Carbon Pricing and Climate Politics, October 23, 2020

To return to our website click here.

Robin Just: Welcome to CleanLaw from the Environmental and Energy Law Program at Harvard Law School. In this episode, our Electricity Law Initiative director, Ari Peskoe speaks with assistant professor of political science at UC Santa Barbara, Matto Mildenberger about carbon pricing. We hope you enjoy this podcast.

Ari Peskoe: This is Ari Peskoe, director of the Electricity Law Initiative. Today, I'm very pleased to be joined by Matto Mildenberger, he's a professor of political science at UC Santa Barbara. And a recent article, he co-wrote with his colleague, Leah Stokes caught our attention, it's called The Trouble with Carbon Pricing and it was published in the Boston review in September, at least that's when it appeared online.

Ari: And also mentioned his book published earlier this year, which has a great title, it's called Carbon Captured: How Business and Labor Control Climate Politics. Matto, thank you so much for being here today.

Matto Mildenberger: Oh my pleasure.

Ari: So I wanted to start with this Boston review article where you write that carbon pricing has dominated climate policy for three decades. I want to start with that history, why is it that pricing carbon has dominated these discussions?

Matto: Well, I think it's been a really elegant and powerful idea, really beginning in the late '80s, early '90s, around the same time that governments around the world began to take the threat of climate change seriously. Carbon pricing almost immediately became a big part, a focus of those discussions.

Matto: At earlier points in time, there was more of a focus on carbon taxes, there's a wave of consideration of carbon tax policies in the early 1990s. In fact, a carbon tax was on the policy agenda in virtually every country around the world, though, of course only some countries passed the carbon tax at the time.

Matto: We saw a second wave of attention to carbon pricing in the early 2000s. At this time, we were focused on cap and trade or emissions trading systems. And more recently, I think that there's been attention to both types of carbon pricing with maybe a bit of a renewed resurgence in carbon taxation.

Matto: Now, why is it such an elegant idea? It's of course carbon pollution is a global bad, it's something that has really, really negative ramifications for the health, security, well-being, livelihood of people around the world. And we should make the polluters pay, we should make sure that the cost of releasing carbon pollution in the atmosphere is the true cost. And that's what carbon pricing promises to do and it's very simple and powerful way.

Ari: I want to get down to the Genesis of this, I understand that it's the economically elegant solution, and so I suppose it's economists who came up with this idea. But then how does it come to dominate the policy discussion? I mean policymakers are not known for always choosing or promoting the economically best solution. So who was putting this out there as the solution and whose interests do you think that has served that carbon pricing has been the focus of these conversations for so long?

Matto: It's a good question, and it's certainly the case that the earliest carbon prices, when we look back at the history of carbon pricing at a range of different economies, they were often not being pushed by environmental groups. They tended to be pushed by political actors who were sympathetic to environmental causes, and in some places by green economists, but they weren't necessarily a policy priority for many environmental groups themselves.

Matto: If we look at the earliest efforts to past carbon pricing in the United States, of course there was a few major organizations like EDF, the Environmental Defense Fund, of course, Resources for the Future, the DC think tank that were beginning to really push carbon pricing and emissions trading beginning in the late '80s, early '90s.

Matto: But if we think about some internal conversations happening within the Clinton transition and the early Clinton administration around carbon taxation, that was very much led by vice-president Gore and by the team of folks around him, and not being pushed by NGOs and activists in the green community.

Matto: So it certainly has always been a very walk forward idea if you will, and there has been a moment in time when many environmental advocates got on board and began pushing carbon pricing related systems as a centerpiece of climate reforms in this country and around the world. But it's never been a grassroots demand of environmental activists.

Matto: As for whose interests that serves, well, I think that's a complicated question. I think that the better question is whose interest as the carbon pricing serve? And the answer to that question is so dependent on what carbon pricing looks like in practice? Because I've written about a lot. There's such a gap between the idea of carbon pricing and what we actually see on the ground.

Ari: So let's get into that a little bit. I want to start with your observation in the article that carbon pricing has the politics backwards. So can you explain what you mean by that?

Matto: Yeah, so I'm a political scientist and I've spent several years doing very detailed work both quantitative and qualitative, looking at the politics of carbon pricing. How does this policy get debated on the policy agenda in countries where it's proposed? What are the political ramifications? What are the electoral ramifications? And how does the public respond?

Matto: And if I told you without talking about climate policy, if I just told you in the abstract, "Hey, I have this really great idea for a policy reform." And what it's going to do is it's going to foreground the cost, it's going to make consumer costs and policy costs extremely salient, extremely visible, and extremely prominent.

Matto: And it's going to take all the benefits and it's in it background them, and them sort of politically obscure, put them into the future, and sort of hide them. Most people would say that that's a pretty bad way to design a policy, particularly a policy that might transform our economy.

Matto: And in some ways, this is the disadvantage politically of carbon pricing. We take a really complex debate about how we can secure our future, how we can secure the health and wellbeing and livability of our planet? And we reduce it all to a short term extremely salient, often consumer facing cost, which is sort of the price.

Matto: And in this sense, we need to think more about timing and sequence of policymaking. And the minute we have a policy like many carbon prices that is so focused on short-term costs and makes those salient at the expense of long-term hidden benefits, we're essentially tilting the political arena in favor of policy opponents, we're letting the fossil fuel interests who are attempting to delay action, we're giving them the upper hand because we're letting them position themselves as being on the side of everyday working Americans.

Matto: Whereas in some ways I think carbon pricing makes more sense as a policy for much later stages in sort of our decarbonization trajectory, where it can help us at the margins to clean up the last 10% or 20%. But it has to be after the political power of these powerful incumbent industries is already broken. Because if these industries maintained their power at the time we're negotiating carbon pricing, they can use their power to weaken those policies and undermine their efficacy.

Matto: Instead, we need other policies that come first, policies that can weaken the power of opponents and build up the power of climate advocates, so that when a carbon pricing policy might be designed to fill in some of the gaps that are inevitably going to exist in other parts of our climate reform packages, it's possible to have a political coalition to get things done because so far that just hasn't happened.

Ari: So essentially it's a layup for carbon pricing opponents, just say, "Well, this is an energy tax and therefore make it politically infeasible and unpopular." And yet there are carbon pricing policies both in this country and around the world. Are they typically the model that you're describing where they, for example, like in California, where California has numerous climate policies and the cap and trade policies is just one among many? Is that the typical thing we see around the world? Are there jurisdictions where carbon pricing is the lead climate policy?

Matto: I think in most jurisdictions, we tend to see carbon pricing as being part of a basket of policies. And I think that there's also fairly substantial debate over what the relative contribution of that carbon price is to carbon pollution reductions in those jurisdictions relative to other policies.

Matto: We know there's been a lot of work on the, for instance, California carbon price. And my read of the empirical evidence it's been produced is that a lot of the transformational change in the California economy has actually come from standards, from investments, and from external economic forces. And that the carbon price itself has not really had any binding effect or no major effect on the state's positive trajectory.

Matto: I think that certainly it's the case that in some parts of the world, if you look at the ETS in Europe, if you look at some of the carbon taxes that we see in Scandinavia, we tend to find that existing carbon prices may have an effect somewhere around, let's say between 5% and 10% carbon pollution reductions over a decade. That's the scale of impact that we've seen to date in expo studies. But that's not scaled up to the level that's necessary to meet IPCC recommendations.

Matto: That's not going to keep us within 1.5 or even two degrees if we continue at that pace. So most people would say that to use carbon prices, to really have the effect that economists want, we're going to need much, much higher prices, and we're going to need much fewer sectoral exemptions. So we really need a high economy wide carbon price. And that's something that we just don't see in any country right now. And that's sort of a big political challenge when we think about moving forward.

Ari: Well, so why do you think governments have adopted these ineffective carbon prices that you think are driving maybe 5% to 10% of reductions, and yet they have all of the political downsides that you've described, why even bother do you think?

Matto: Well, I think that to think about why some countries have passed carbon prices and others haven't, we need to really think about the different political circumstances that exist even across OECD countries. So I wrote a bunch about this in my book, but the earliest countries in the world to pass a carbon price were the Northern European social welfare states, Norway, Sweden, Finland, Denmark.

Matto: These are all countries that passed a carbon tax in the early 1990s. And so while carbon taxation first came onto the policymaking agenda in the early '90s, in virtually every country, it was in these Northern European countries that the policy actually stuck. And these Northern European democracies are quite distinctive in their political institutions in a range of different ways.

Matto: But one of the distinctive elements of their economies is that there's quite a bit of consensual and collaborative policymaking routines. So major economic reforms tend to be negotiated in a more collaborative and less adversarial fashion in structured meetings between business, labor, and government actors.

Matto: And the effect of this was that the interest groups, the carbon polluters, for instance, the onshore industries in Norway, who would be extremely impacted by a carbon tax, they were in the room at the moment of policy design and they essentially got entirely exempted from the tax.

Matto: And so we had these very early policies but those policies were actually in some ways structured to avoid generating the types of political conflict that might otherwise undermine action. So we often see action on carbon pricing in a very limited way that's responsive to all of these political barriers that exist. And so your question of like, "Why do we see any policies?"

Matto: Well, we still see policies where essentially those policies don't have much teeth, where those policies can accommodate the economic status quo, but that's not really the type of policy reforms that we need to drive forward decarbonization at the pace and scale that scientists say is required right now.

Ari: So it seems to me that sort of policy serves the interests of the polluting industries, right? Because it takes some of the pressure off to do anything more because maybe the public sees, "Well we've priced carbon, we've addressed this issue." Is that a fair interpretation?

Matto: Yeah. I mean, I think that it's fair, I think that it's also important to remember when we have these conversations that one carbon price is not the same as another. So you might see that Norway has a carbon price of X dollars per ton, but there's all of these different features of a carbon pricing system that we need to unpack.

Matto: It matters what sectors are covered, it matters what the variability is across pricing, across the sectors. And it also matters from a political perspective, who is paying at least in the short term? So what we often see in some of these Northern European carbon taxes is that they tend to be more consumer-facing in their cost structure.

Matto: So if you actually look at who is paying the direct costs? Who is being exposed, I guess, to price signals? There are some really credible studies that point to consumers essentially facing four to one, five to one, as much as 10 to one costs relative to various producers as part of those carbon taxes.

Matto: And that kind of makes sense because you have a carbon tax that's being negotiated inside the room by industry labor and government. And so you end up imposing a lot of costs on consumers, on home heating oil, on home electricity bills. And then because industry is getting its way, it has no incentive to mobilize conflict in the public domain.

Matto: So you have consumers in Norway who are paying fairly high carbon taxes but it's never really been politically contentious because it never really gets mobilized as a political issue during election campaigns, because no one has an incentive to make it an object of political conflict. Whereas in a country like the US it has a more adversarial system of government and economic transformation that sort will necessarily be made an object of adversarial and highly salient political conflict during election season.

Ari: So before we turn to that, turn back to the US. Are there any carbon pricing policies around the world that economists point to and say, "This is a model of how it should be done."

Matto: Well, think that the carbon price that I have seen economist point to the most is the carbon tax that exists in British Columbia, at least from my impression that's one that often gets plaudits from economist for being relatively economy-wide, for hitting some of the features that an ideal carbon pricing design should have, of course, the issue is that...

Matto: And political scientist Kathryn Harrison at UBC, the University of British Columbia has written quite a bit about this says that one of the reasons why BC was able to set up a relatively economy-wide carbon tax is that there weren't clear impacted industries that would oppose it. So for instance, BC still had a bit of a coal export industry at the time but that coal was not being consumed at the provincial level.

Matto: And so the carbon tax didn't pose a threat to coal interests in the province because their profits came from exporting to other markets. And it was another markets that the greenhouse gases would get accounted for. So to some degree, maybe BC, but I think from a political economy perspective, you can trace some of the policy design in that province to the particular set of structures and interest groups that exist.

Matto: And so it's unclear that the lessons from the BC carbon tax can easily transfer to Alberta or really, any other jurisdiction where things are more complicated and there's more entrenched opposition.

Ari: So turning back to the US, one thing that I've observed about the carbon pricing debate is that it seems to me that there's some traditional opponents of carbon price in particular, some oil and gas companies that seem to have changed their tune and now seem to be advocating for carbon pricing. First of all, just fact check that. And then B, if that's true, what do you think is going on here?

Matto: So it's definitely true that for instance, a number of large oil companies who have been big players in denying and spreading disinformation about climate science for decades have come out in favor of a certain type of carbon price.

Matto: I think there's a couple of things happening here. One is that these companies are often asking for pretty big... they conceive of and are proposing for instance, a carbon tax in the United States as part of a reform package that removes a bunch of liability on a number of issues that they're worried about, often that preempts existing regulatory authority under other statutes to regulate and manage carbon pollution and other forms of pollution.

Matto: So it's often presented as a deal. Well, we'll take a carbon tax if you take away all of these other sticks that we're worried about. The other thing I'll say is that, I think that for a number of these companies who profit from the demand for fairly inelastic resources like oil, they think that a carbon price is something they can live with, and that's not going to pose in the short term and existential threat to their bottom lines.

Matto: And certainly we see this in other parts of the world, right? So the oil extraction industry in Norway has its net greenhouse gas emissions have gone up over the last three decades despite having one of the highest carbon prices in the world, because it's just so profitable to extract oil that the carbon tax essentially just captures some of the rents associated with that extraction, without changing the fundamental business calculus.

Matto: And there's been some interesting work by economists at Columbia arguing that for some types of carbon pollution and often oil is an example of this. In the absence of technological alternatives, you could have fairly high carbon taxes or carbon prices without a lot of transitioning. So I expect that we should beware, so to speak, of oil companies bearing gifts.

Matto: But I think that we can't think about their embrace, for instance, carbon taxation, without thinking about all the stuff they want as a quid pro quo for allowing that carbon price. And I'm not sure that the public and the climate is a net winner in those bargains.

Matto: And also the fact that in some parts of the fossil fuel economy, a carbon tax alone is not really going to reshape business opportunities without other forms of investment and technological innovation.

Ari: I also wonder if they're being a bit disingenuous since they've engaged in these battles for the past three decades, they may very well have the same observations that you have, which is that a high carbon price is unlikely to be adopted.

Ari: And so they muddle this debate up for a while by, in essence, pretending to advocate for what's the efficient solution here, which they know won't be adopted and they get all the PR benefits that come with no longer being perceived as these backwards companies.

Matto: Yeah, that's exactly right. And in fact, strategically, if we look at some of the big oil companies, they've traditionally done things like for instance, during the Waxman-Markey debate when the US was considering an emissions trading scheme, a cap and trade scheme. You had a number of major polluters who would be like, "Well, we support carbon pricing but we actually like carbon taxes."

Matto: And so there's definitely been a lot of strategic use of support for carbon pricing that I think is disingenuous, but it's been used to actually undermine the efforts to develop a consensus in the American political system about how to solve this problem. So I think you're absolutely right there.

Ari: So despite everything that we've just said about carbon pricing, I want to defend it at least in one application of it. So I focus on the electric power sector and the federal energy regulatory commission recently put out a proposed policy statement that encourages operators of interstate wholesale markets that cover about half the country, of putting forward before FERC, carbon pricing proposals. At least as FERC envisions it, the states would actually set the carbon price but it would be these FERC regulated market operators that would actually implement the price in the market.

Ari: And I think the electricity market is maybe an example where a carbon price actually fits really well with how the markets operate, because it increases costs the most for the most polluting generators, particularly coal-fired plants. And can really have a significant impact pretty quickly on how often these plants operate and even lead to a lot of them shutting down potentially.

Ari: And in my view, this is sort of the best tool, carbon pricing is the best tool that FERC has to facilitate carbon policy. And what they're envisioning here is a bottom up approach as it were states and market participants are the ones proposing the carbon price rather than FERC implementing it, mandating it, across the industry.

Ari: So I think this is a good step forward, particularly in our politically polarized environment today where we have a republican led FERC putting this proposal out there, obviously we'll have to see what comes of it. They just put this out a couple of weeks ago, but I'm wondering how you as a political science professor view, relatively obscure government agency here, the Federal Energy Regulatory Commission, no offense FERC.

Ari: How do you view them putting forward a carbon pricing proposal? How does that differ from the typical way that these carbon pricing proposals get put out there?

Matto: That's a good question. And it certainly is the case that some of this we might call it quiet politics or bureaucratic politics around climate and energy policymaking, has been the way in which meaningful changes have happened, for instance, at the state level on the climate file in the last two decades.

Matto: And so it's definitely the case that when policies are created in a way that's a bit more indirect and makes the cost a little less traceable, that can be politically advantageous. I guess, I'm skeptical that even if FERC is the one driving this conversation, that the debate won't be extended in mobilizing the public domain. Because yes, I don't disagree that carbon pricing at the right level could be an effective way to drive shifts in electricity generation, but it's also going to be driving shifts in electricity costs for consumers.

Matto: And I would expect that impacted utilities are going to not only pass those costs along but make very clear why and how those costs are being passed along. And they're going to sort of create political incentives to oppose those efforts and to roll them back.

Matto: And so I think you're right in principle that obscurity can be effective as an implementation tool. I'm reminded of Hanna Breetz, who's a political scientist at Arizona State University has done some really interesting work on the renewable fuel standard, which was passed as part of the Energy Policy Reform during the Bush Administration in 2005, I think.

Matto: And at the time there was actually a desire amongst some people within the administration to increase and change the gas tax. And it was understandably viewed as a political non-winner to increase the gas tax. And so economists and some people working in the administration came up with this pretty ingenious way to set a standard that was essentially unmeetable to the targets and the RFS have really never been met, and essentially the penalty or the compliance penalty associated with not meeting those standard targets, essentially becomes a defacto gas tax increase.

Matto: And so there were people who essentially managed to design, construct, and execute a slight increase in the federal gas tax without any of the political consequences that would normally come with that. But it does strike me that in the case of FERC, it's not that type of very opaque, indirect approach. I'm just very skeptical that this would stay hidden and would stay opaque, the way that I think you might hope.

Ari: Well, yeah, I mean, I think there definitely would be opponents if this proposal actually ever came before FERC. And particularly if it were a region of the country PJM Market, for example, that still covers a lot of heavy coal generation areas. There certainly would be pushback on it. The devil's going to be in the details but I think there's a world where even though it raises energy costs when you put in a carbon fee, it may not overall raise consumer costs.

Ari: And the reason for that is because consumers already pay for utilities to buy renewable energy credits under state renewable portfolio standards. And the idea being that if energy prices go up due to this carbon fee, renewable generators will be willing to sell their credits for less money. So they'll have be some offsetting differences there.

Ari: And then there's another market that PJM runs called the Capacity Market, which is essentially assures that there's a sufficient amount of resources available, and those prices might go down as well, if energy prices go up. So I think anyway, it's a complicated problem, but you could have a situation where in fact, a robust carbon price doesn't significantly affect consumer costs, but I still think there would certainly be a political fight about it.

Ari: And they would still be branded as an energy tax by the entities that don't like it. So you'd still maybe have some of the usual things happen.

Matto: I think this is sort of a really important set of points that you're bringing up. And it's also where as a political scientist, I think it's important that we always think about the political economy of these policies because the political debates that happen in our society in contentious democracies, they don't revolve around what the actual sort of economically optimal outcome is.

Matto: They don't revolve around how people might actually be benefiting. And whether people are actually in practice net winners are net losers, they revolve a lot around the perceptions of loss and gain that are constructed by interest groups and opponents. So I definitely think it may be possible that because of the impacts on capacity markets, because of the declining price of credits that actual net energy costs remain stable or go up by a fraction of the carbon tax amount.

Matto: I'm much, much less optimistic that consumers won't be led to believe that they're facing an increase in their energy costs associated with the full carbon tax increase. So to give you an example, so if we look at the Canadian carbon tax that was set up by the federal government. And this is actually an interesting policy because it was set up as a dividend, a climate rebate policy, which of course has been a lot of conversation about sort of cap and dividend or fee and dividend policies in the United States as a way to try and solve some of these thorny political issues around carbon pricing.

Matto: So Canada, along with Switzerland are the two countries in the world that have an existing carbon tax and dividend policy on the books. So the Canadian policy set up so that 80% of people in the country who are subject to the policy, it actually not to get sidetracked, it varies by province. Some provinces in Canada have this federal dividend policy, others have a provincial carbon pricing policy that's unrelated to the federal program.

Matto: But for the provinces who are subject like Ontario, Saskatchewan, these are provinces where the federal government is imposing a carbon tax. And then rebating the revenues associated with a carbon tax to the public. At least 80% or more of Canadians clearly make more money, they receive more money in their rebate than the marginal cost of electricity and fuel and of the tax on their household budgets.

Matto: So basically, 80% of the population are net winners. And yet, because of the nature of the political debate, the Canadian public just doesn't understand that. And that's because for instance, we have Doug Ford in Ontario who is putting stickers on every gas pump that was itemizing the cost of the carbon tax for that filling up your tank every time you filled up your tank.

Matto: I've done a bunch of survey work where we've been following a panel of Canadians through time before, during, and after the implementation of this carbon tax and dividend policy, trying to understand how the tax and then the rebate might be shaping the political logic of this carbon pricing system.

Matto: And one of the sobering findings from this work is that Canadians have a very inflated sense because of all of this political debate about the costs of the policy and they don't have a clear sense, in fact, they underestimate their benefits. And even worse, we do an experiment towards the end of our panel because we have information about all of the different thousands of people who are in our survey, we actually prepare a custom tax forms for them, where we show them, "Here's your taxes filled out and your climate rebate calculations."

Matto: And so we can show them because we have enough information exactly how much money they received this year from the federal government. And when we run an experiment where half of our respondents get that customized information to make the rebate highly salient and the other half don't, we actually find that creates a backlash effect where the people who get this concrete information about their rebate think that they're getting ripped off, "Wow, I'm only getting $600 as a rebate, I must be paying thousands of dollars in costs. So I'm not coming out whole."

Matto: So the political opponents have managed to construct an understanding of the costs that's out of sync with the true nature of the costs. And that's having really serious negative repercussions on the ability to generate political support.

Matto: So I think that any effort to run carbon pricing following sort of the FERC policy statement needs to be really attentive to this danger, which has systematically undermined carbon pricing politics in so many countries where the true costs actually don't matter. What matters is the constructed perception of costs and opponents are extremely good at making those salient and inflating those estimates.

Matto: Listen yesterday to President Trump during the debate, Vice President Biden's plan does not actually include a carbon price, it's actually an investment in benefits forward approach. And yet, Trump was talking about it costing a hundred trillion dollars and leading to the death of every job in the country.

Matto: And so I think that reality needs to be grappled with, in any effort we have to design these policies.

Ari: And tiny windows, don't forget about the tiny windows.

Matto: Yeah, that's right. Very tiny windows.

Ari: Yeah. So this deeply distressing insight you just provided at the perceptions matter more than reality. So I guess a good segue into what hopefully is our closing topic here, which is speculating on where we go in the US on climate policy. And you just mentioned that we should just highlight that we're taping this about 10 or 11 days before the election, but you highlighted one of Biden's signature policy proposals which is this big green stimulus.

Ari: And he talked last night at the debate some of the key unions support him or support this proposal, anyway I should say. In your book, you talked about the double representation of carbon polluters, which I understand to mean that both the polluting entities and the unions have historically opposed climate policies. Is that double representation problem? Is it being eliminated now in the US because Biden has union support, does that change the nature of climate politics here?

Matto: It's a really good question, and that's exactly right. So in my book, one of the main features of climate policy conflict across countries is that it doesn't neatly fall onto left-right divisions in the way that popular media debates sometimes assume, and it does a pretty good reason for this. So climate change emerges is a problem beginning of the 1980s, and it becomes an issue.

Matto: Climate scientists discover the greenhouse effect in a world where there are already fairly established, mature political parties and political systems. And yet climate change threatens people on the left and the right, it's cross-cutting with respect to many of the existing divisions in our society. So there are both businesses who are very carbon intensive, and there's also workers who depend on those carbon intensive businesses. And of course there are also clean energy businesses and low carbon businesses, and then workers in service and education, low carbon sectors.

Matto: And so this means that inherently, there are both climate policy advocates and climate policy opponents that are embedded within both the left and the right in a country. And that means that no matter whether the left or right has controlled government in countries around the world, the interests of fossil fuel producers have been represented. And so this is what I mean by double representation. The US is somewhat unique globally, in that more than any other country, there has been really quite substantial sorting around climate reforms across parties, particularly in the last five to 10 years.

Matto: And so we increasingly have a world in which anti-climate voices have sorted into the Republican party, and pro climate voices have sorted into the democratic party. And even for instance, some coal workers and fossil fuel workers have shifted away from the Democrats. But that said, what the Biden plan is doing is acknowledging the existence of workers and trying to split the interest of fossil fuel intensive workers from the interests of fossil fuel intensive businesses.

Matto: And these are businesses by the way that often don't really care about their workers. There's been a pattern of giving executives golden parachutes in the last couple of years, and then laying off workers and at risk to those workers pensions. So the Biden approach to climate change is notable for a couple of reasons. First of all, Biden is running the most climate center campaign we've ever seen, both in its level of ambition as well in the level of specificity that he's bringing to climate change.

Matto: He's also integrating climate change as a central campaign message, one of the four intersecting crisis that the US is facing, which is a level of prominence that's appropriate, but was not present in any previous campaign cycle. And he's also moving from a cost-centered approach to a benefit-centered approach, which I think is going to have a lot of political advantages in building a large political coalition to support reforms, including from labor unions and including from climate activists.

Matto: And it's a bit ironic because if you really go back to say the Waxman-Markey bill, that was a massive six or 700 page bill. And yes, 200 or 250 pages of that was setting up the emissions trading scheme. But there was actually another like three or 400 pages of benefits, industrial policy. There was a clean energy standard, there was policies to invest in innovation. There's actually a lot in that bill that's not dissimilar politically from where the Biden campaign is currently heading.

Matto: And yet, that policy package was not presented as a benefits forward policy package, it was presented as a cost forward package that focused on the carbon price and everything else was supplemental. And I think there's been a recognition that to develop the type of robust dynamic, engaged coalition, necessary to pass reforms and fight against these fossil fuel interests that are trying to steal our futures.

Matto: You need to have a vision of where we want to go, and you need to communicate to people the benefits associated with getting there. And those are jobs, those are economic recovery, cleaner air, managing environmental injustices. I think this approach which some people have described as a standards, investment justice approach to climate policymaking is going to be an easier political lift.

Matto: It's not going to be an easy lift, but it's going to make things a bit easier and it's going to tilt the playing field a little bit more towards the people who are trying to maintain climate stability, and it's going to make it a little more difficult for fossil fuel companies to throw a wrench in the works and mess everything up again.

Ari: One other political dynamic that I've seen here, if we're going to have major climate legislation, it has to go through the Senate obviously. And part of the dynamic there sort of rural states versus urban states. And I wonder if you see that as part of the dynamic as well in climate policy in this country.

Matto: I think it is, and it's also interesting. I mentioned that there's been a lot of party sorting in the United States around this, and that's particularly true at the elite level. So if we go back to the late 2000s to the Lieberman-Warner bill, for instance, some of these proposals of the Senate in 2006, 2007, that were trial runs essentially for emissions trading.

Matto: What we actually find is that there were Republicans who co-sponsored that and who were on board, but there were also a number of Democrats who had strong reservations and essentially 10 or 11... More or less signaled that they would oppose a bill of this sort. These were folks like Landrieu in Louisiana and Pryor in Arkansas. So these are often Democrats in these more rural fossil fuel intensive states who have since lost their seats and been replaced by Republicans who are like very firmly anti-climate.

Matto: And vice versa, some of the seats of folks who on the Republican side who are most engaged with climate policymaking, Senator Warner in Virginia, Senator McCain in Arizona. Those seats are gradually moving into the democratic column. So despite the fact that we've had a lot of turnover in the seats, the actual political geography of the Senate has been fairly stable. And I think that the consequence of that and the over-representation of more rural fossil fuel intensive interests within the Senate structure means that, I do not think it is possible at this point in time or in the near future to pass climate legislation with 60 votes. I do not think that any legislation that could get 60 votes would effectively manage the climate problem at the scale that's required.

Matto: And so I see getting rid of the filibuster as a precondition for managing the climate threat. And I do think that legislation that is quite ambitious could be passed at a 51 or 52 vote threshold, given the nature, the structural nature of the Senate.

Ari: Well, as I said, we're about 11 days away from the election. So hopefully when people hear this conversation it won't be stale. And we'll be in a world where maybe some of this can actually play out. I thank you for joining us today and for sharing your insights.

Matto: It's my pleasure. Thanks for having me, Ari.

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