

States must, again, drive US climate action



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The lack of federal action on climate change means that the effort must come, once more, from the states. **Shanna Brownstein** examines the tools they are already putting to work

Climate change requires immediate action to decrease greenhouse gas (GHG) emissions, yet the US government has demonstrated that it does not have the political will to act. So where does this leave us? While the federal government has procrastinated over the past decade, many states and municipalities have used legislation, regulation and incentives to reduce GHGs and found that these policy tools have broad environmental impacts while promoting economic development. We must encourage the adoption and growth of these kinds of local climate policy solutions to provide much-needed reductions now and models for future federal climate action.

There are many techniques that states and municipalities can employ immediately to mitigate GHG emissions. Innovative financing tools such as revolving loan funds for energy efficiency and other climate benefit projects and tax incentives to promote renewable energy construction can make financially untenable projects feasible and jump-start sector growth in a state.

For example, the Texas LoanSTAR Program uses a revolving loan mechanism to fund energy efficiency retrofits in public buildings. It is one of the most successful energy efficiency programmes in the country and had funded 191 loans totalling over \$240 million as of November 2007. Oregon uses a similar financial mechanism to target homeowners. Its Clean Energy Works programme provides low-cost financing to pay for retrofits that homeowners repay on their monthly utility bills.

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Tax incentives such as Oregon's Business Energy Tax Credit (BETC) can help implement projects that were previously unfeasible by offering tax breaks to those that invest in a wide range of climate benefit activities. For example, renewable energy equipment manufacturing may receive up to \$20 million of project costs, while renewable energy generation and high efficiency combined heat and power projects may receive up to \$10 million. The BETC is credited with attracting companies such as Iberdrola Renewables, Vestas and SolarWorld to Oregon and is one of the key reasons the state is known nationally as a hub for sustainable businesses.

Feed-in tariffs, which require utilities to purchase renewable energy at a premium, were first popularised in Europe. They are another tool that US states and municipalities are using to promote the growth of the renewable energy sector. Oregon, Vermont and California approved feed-in tariffs in the past three years, and cities such as Gainesville, Florida, and Sacramento, California, have followed suit, acting independently of their states to promote renewable energy in their communities

Debt financing through bond issuance is another tool that can help local governments' low-carbon projects. In 2005, New Mexico passed the Energy Efficiency and Renewable Energy Bonding Act, which uses bond revenue to support energy efficiency and solar projects in public buildings. Similarly, the Maine Energy Efficiency Bonds Issue, which was passed in 2010, has issued some \$26.5 million in energy efficiency bonds for weatherisation and energy efficiency projects. While revolving loan funds, tax incentive programmes and debt financing are often successful in promoting projects that reduce GHGs, states and municipalities can also consider a broad range of mitigation policies at no cost to the state. For example, many states employ a renewable portfolio standard (RPS), which requires a certain percentage of a utility's electricity generation to come from renewable energy sources.

States may also choose to join regional programmes designed to cap emissions. The Regional Greenhouse Gas Initiative (RGGI), the Western Climate Initiative (WCI) and the Midwestern Greenhouse Gas Reduction Accord are in varying stages of identifying, evaluating and implementing measures to reduce GHGs in the participating jurisdictions. RGGI and WCI are both cap-and-trade programmes aimed at creating markets for carbon credits. These programmes provide flexibility to regulated sectors that help contain costs of compliance.

Updating building codes and urban planning policies and encouraging utilities to offer voluntary emission reduction programmes also provide opportunities for states and municipalities to reduce GHG emissions without taking on a cost burden. Building codes can establish a minimum level of energy efficiency for residential, commercial and industrial buildings, and urban planning policies can encourage smart growth. Dense development and alternative forms of transport significantly reduce GHGs and can help municipalities reach long-term GHG targets.

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Utilities can also provide meaningful emission reductions through voluntary carbon programmes. NW Natural, based in Portland, Oregon, offers its customers the option to offset their natural gas use by investing in biodigesters that reduce methane emissions on dairy farms. Pacific Gas and Electric offers its customers the opportunity to offset domestic emissions by adding a voluntary, tax-deductible donation to their monthly utility bill. Funds are then invested in environmental conservation, restoration, and protection projects that mitigate GHG emissions.

In the face of federal inaction, it is crucial that states, municipalities and others do what is within their power to mitigate GHGs immediately. The examples listed above provide only a sample of initiatives that can spur economic development and pave the way to a low-carbon future. It is critical for the business, academic and non-profit communities to work together to help shape and pass innovative and effective climate policy solutions. This is the only way for the US to provide leadership and meaningful climate action today.

Shanna Brownstein is policy and government affairs manager at the Climate Trust, a Portland, Oregon-based non-profit.

E-mail: sbrownstein@climatetrust.org

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