



CONGRESS: Critics blast the climate change 'Fed' (03/20/2008)

Darren Samuelsohn, [ClimateWire](#) senior reporter

A key provision in the Senate's leading global warming bill came under fire yesterday by critics who questioned whether the legislation does enough to protect the U.S. economy. Sens. Joe Lieberman (I-Conn.) and John Warner (R-Va.) included language in their climate bill that creates a Carbon Market Efficiency Board. The seven-member panel would be tasked in its first two years with collecting information about the new U.S. carbon market.

After that, it would be authorized to make changes to the cap-and-trade system -- such as releasing more allowances or expanding access to the U.S. market for overseas credits and offsets -- if the program's compliance prices become unstable.

The senators insist that the presidentially appointed board will provide an important economic safety net for the first-ever mandatory cap on the nation's heat-trapping greenhouse gases. It will operate in many ways, they say, like the Federal Reserve monitors inflation, interest rates and the overall U.S. economy.

But several longtime observers in the U.S. climate debate raised concerns about this approach during a forum hosted by the Washington think tank Resources for the Future.
Great expectations

"Can this institution match anything like the expectations we're trying to make it match?" asked Phil Sharp, president of RFF and a former Democratic congressman from Indiana. "I'm going to suggest that I think that's a hard proposition."

Sharp said he was not against the use of an oversight board to track the U.S. carbon market. But he called on the idea's proponents to stop making references to the almost century-old Fed.

"I'd urge us to take the Federal Reserve totally off the table," Sharp said. "There's nothing about this that matches the Federal Reserve in terms of its reach in the economy, in terms of the resources available to it, in terms of the traditions and the intellectual resources that have been built up over time."

Lieberman and Warner opted against another popular concept for controlling costs in a climate program commonly called a "safety valve." They argue it would not guarantee emission reductions and stimulate enough investment in new energy technologies needed to combat global warming.

Brian McLean, director of the U.S. EPA's Office of Atmospheric Programs, raised doubts about whether the new oversight board was even necessary given complaints that the existing slate of federal agencies did not react fast enough to the recent U.S. economic downturn.



"I'd almost be looking at our existing set of regulatory institutions and saying, 'Do we need to update those?' before we create a new one," McLean said.

The EPA official also cautioned that Congress and the White House may have a hard time keeping the seven-member board fully staffed, noting vacancies on other important government boards, including the Federal Election Commission, Consumer Product Safety Commission and U.S. Chemical Safety and Hazard Investigation Board.

Questions also came up about how the board would fit into the existing slate of open government laws.

Under the Lieberman-Warner bill, the new board is subject to the Freedom of Information Act and the open government Sunshine Act. The Government Accountability Office also is directed to review the board's efforts before Jan. 1, 2013.

But Washington-based attorney Kyle Danish of Van Ness Feldman questioned whether the new board's operations should be required to meet all of these transparency requirements given the delicate nature of its work. He also asked how the board would fit in with existing judicial review and even the National Environmental Protection Act.

"These types of boards sit in a very funny spot in our legal system," Danish said.

To help the board build public trust, Danish suggested a fixed price on carbon allowances that the board must use before acting, especially during the first 10 or so years of its existence. Currently, the Lieberman-Warner bill states that the board can act if the carbon market "poses a significant harm to the economy."

Who's on first?

In the Lieberman-Warner bill, members of the board can receive only one 14-year term, with a rotating chair holding the top spot for a four-year term.

No more than four of the board's seven members can be tied to one political party. And the legislation also requires that members come from different geographic regions and professional backgrounds.

But RFF's Sharp and others suggest those guidelines may not be enough.

"The president and the Senate are going to be figuring out who they want here, either because it's their best friend or because it's somebody who's going to take one perception over the other that they want," Sharp said.

Laurence Meyer, the vice chairman of Macroeconomic Advisers and a former governor on the Federal Reserve Board from 1996 to 2002, raised a similar point.



"There has to be tradition for appointing very qualified people," he said. "Are people appointed by a president who donated most to the party? Are they friends of the president? Or are they really qualified people?"

The first chairman of the new carbon market board "has to be particularly qualified," Meyer said.

Meyer also recalled how the Fed Board gained its experience and trust gradually, starting with its launch in 1913. "Independence is sometimes different in practice than it is in principle," he said. "It's something that has to be practiced over time."

Former Lieberman aide Tim Profeta helped create the carbon board in his current role as director of Duke University's Nicholas Institute for Environmental Policy Solutions. In an interview, he said the RFF panel's comments included "very constructive feedback."

Profeta said Congress would need to answer questions about judicial review and other oversight matters for the board. But he defended making the connection to the Fed.

"That's mostly a semantical question," he said. "I think the Federal Reserve analogy is useful because, although it's not as significant macroeconomically as the Federal Reserve, it does have this balancing of interests short term and long term. That is analogous to the Fed, and we can learn from how the Fed has been institutionally structured to perform in these conditions."

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