Will New York Grab the Climate and Energy Opportunity?

By Michael Northrop

Adapted from remarks of Michael Northrop, Program Director of Sustainable Development at the Rockefeller Brothers Fund, delivered at a Luncheon of the NYS Bar Association, Environmental Law Section, January 30, 2009, New York City

About five years ago we made the decision at the Rockefeller Brothers Fund to devote 100 percent of our attention inside the sustainable development program to climate and energy issues. The decision was a difficult one, but was driven by the realization that everything else we were working on in the environment and sustainable development arena was being so heavily impacted by climate change that we ought to focus our attention there. In many cases, we realized that climate was the number one thing impacting the issues we cared about and that if we didn't focus our attention on climate we were fooling ourselves and wasting our time and money.

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This decision has taken our support into a variety of arenas. In New York City, for example, we helped with PlaNYC; in more than twenty states, we have supported governors to develop comprehensive climate action plans; and we have worked to advance international negotiations as well as federal policy, recognizing that if we don't get a meaningful U.S. response to the climate issue, we won't get an international response either.

Given what James Hansen said this morning about the rapidly escalating impacts of global warming, it is imperative that we take action as a country in 2009, and New York State has an important role to play, given that the state spends $80 billion a year on energy alone. There are, however, obstacles in the way of New York taking a leadership role on the national stage, and there are many other states poised to take advantage of the clean energy revolution ahead of New York.

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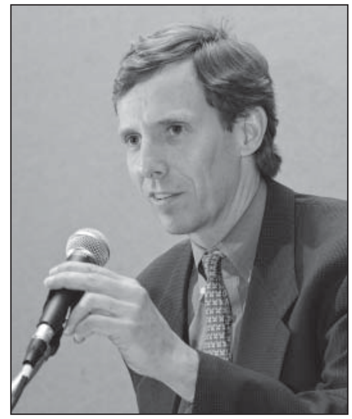
An Approach for New York



Let's start with the most glaring opportunity at hand: most of that $80 billion spent on energy last year went out of state. We can keep more and more of that money right at home over time by adopting a strong climate/clean energy plan that begins with signing on to science-based goals: at least an 80 percent reduction in emissions below 1990 levels by 2050. Right now in New York State we're still working with an outdated 10 percent reduction goal set by Governor Pataki in 2002. The state cannot do the necessary planning to seize hold of this economic opportunity without updated goals and benchmarks.

The state has already done some very good work on climate. We are currently at 1990 emissions levels, while most states are 20 percent or more above 1990 levels. That's due in part to policies put in place by Governors Pataki and Spitzer, and the large carbon-free benefit we enjoy from hydroelectric power generation. We should build on our statistical head start and set a target to bring emissions 30 percent below 1990 levels by 2020. It would put New York on par with where other leadership states and Europe are headed and it would quickly make us a national leader.

Governor Paterson has said and done many good things on climate since being in office, but he should take a page from governors leading the nation on the climate issue—for example, Schwarzenegger and Crist and Corzine and others—and take a comprehensive and bold approach that opens the door to economic opportunity. It is an approach that would unify many disparate efforts already under way in the state.

A few simple steps could get us going right away. First, set the target. Governor Paterson could issue an executive order—as many other governors have done—that sets a long-term reduction goal of 80 percent below 1990 levels by 2050, and an interim goal of 30 percent below 1990 levels by 2020.

Second, he could issue another executive order to assemble a climate action team composed of stakeholders to develop a plan for the state. Many other states, with the expert help of the Center for Climate Strategies, have done this, and New York stands to quickly benefit from their prior experience and best practices. The state, through a project under way at NYSERDA, has most of the funding and the first steps in place to embark on this kind of a facilitated stakeholder planning process. All it would take is a bit of rethinking and reworking, and tapping into existing institutional strengths at DEC, NYSERDA, and RGGI.

And let's not forget that we also have the world's leading finance sector right here to help us, a core of the world's major companies with their headquarters here, and New York City as a partner, with a committed mayor already deeply engaged.

Safely Navigating the Politics

From the perspective of a funder, it seems as if the state is well-equipped to act boldly and decisively. Let me provide the evidence for the strong economic rationale for action that will be needed to generate political momentum and counter the prevailing fear that taking action on climate change is going to be a big drag on the economy.

The fear has been blown completely out of proportion by those who would prefer the status quo, and it tends to hang over the discussion like a dark cloud as a result. Exxon, other oil majors, the coal industry, Southern Company and other utilities, several large right wing donors, a group of right wing think tanks, and even foreign governments have all had a hand in orchestrating a drumbeat of messages intended to encourage this point of view and to slow U.S. action.

Unfortunately, it's been very effective. If you are an elected official or a CEO and you thought something was going to harm your jurisdiction's economy or your bottom line, and you had heard this drumbeat, you wouldn't touch the climate change issue. Harming your jurisdiction's economy or your bottom line would mean losing your job. Where the fear campaign has been most effective is with elected representatives and senators in Washington, D.C., where the stakes are greatest.

The good news is that leaders all across the U.S. have proven that the fear of damaging the economy is unfounded if you take a smart, practical approach. At the state, local, and company level, we have hundreds of examples of elected leaders and CEOs taking a comprehensive, practical, portfolio approach toward reducing emissions that has been positive economically and politically a winner.

Every city and state and company that has taken serious action on global warming has found ways to reduce emissions, save money, generate jobs and incite economic development. It's the reason why so many mayors and governors are getting into the game and taking steps to reduce emissions in smart ways, and why New York needs to play on the same field, too.

At last count, we have almost 30 states with comprehensive climate plans done or under way and more than 900 mayors who have signed onto Seattle Mayor Nickels's climate pledge to reduce GHG emissions by an amount equal to Kyoto, and scores and scores of CEOs taking action.

As a start at each of these levels, leaders are learning that energy efficiency pays and that it's possible to lay the groundwork for enhanced competitiveness and for new economic development opportunities. It is worth repeating that there is not a single company, city, or state that has taken steps to reduce GHG emissions that hasn't saved money and/or generated economic opportunity. Further, what's even more significant, it seems like the greater the ambition and action, the greater the benefit.

Evidence from Other States

California has halved energy use per capita and saved $65 billion from the mid-70s to 2008. This money stayed in people's pocketbooks instead of being shipped overseas to Saudi Arabia or out of state. These monies spurred a higher quality of life, created more jobs and enterprises, and built a better economy for Californians. As a result of California's support for energy efficiency and renewable energy, the state is also home to many of the clean energy companies of the future.

California is no longer alone. There are now more than 30 states that have created or are creating comprehensive climate action plans. The way they go about it is worth understanding.

First, they examine the source of emissions. Then, they examine each source and try to decide which ones can be tackled most cost effectively with the greatest emissions reductions. They score each of the potential options they have—often a list of several hundred. Then they pick the ones that make the most sense, economically, politically, and for the climate. It usually takes about a year to come up with a plan like this. A group called the Center for Climate Strategies has facilitated the development of nearly all these plans, tailored to meet the needs of each state uniquely.

In 2006, Arizona embarked on this path. Keep in mind that Arizona is the fastest growing state in the union and a hard red state with a strong history of anti-environmental politics. After a year of work, the state adopted a plan with 50 measures that promises to cut emissions in half by 2020, saves $5.5 billion, and creates 250,000 new jobs.

Since Arizona acted, many others have followed, including New Mexico, Colorado, Washington, Oregon, Kansas, Iowa, Minnesota, Michigan, Wisconsin, New Jersey, Vermont, Massachusetts, Maryland, Florida, South Carolina, and Arkansas.

One of the most recent plans is Florida's. In 2008, Governor Crist announced his plan, which cuts emissions by a third by 2025, and saves $28 billion by 2025. Governor Crist has positioned it as an economic stimulus plan for the state—and keep in mind he did this before the Obama Administration took the same approach to economic recovery. The Florida panel that made these recommendations to the Governor included a former aide to Jeb Bush, a former aide to Vice President Dick Cheney, and a cross section of utility, company, and civic groups—evidence that this approach has clear bipartisan value.

It is also possible to look at all this state activity in aggregate and draw some startling and encouraging lessons. In late 2008, the Center for Climate Strategies unveiled a study using data from 20 states developing these comprehensive climate plans. They scaled up estimated impacts to a national level and concluded that the country could reduce emissions to 1990 levels and realize a cumulative savings between 2009 and 2020 of $535 billion.

And from Cities and Corporations

The same is true at the city level. For example, Portland, Oregon, estimates $2.6 billion in annual savings in transportation costs alone from mass transit improvements the city has created, $300 million in electricity savings, and the creation of hundreds of sustainable enterprises. One Portland commissioner called climate action the best economic development strategy ever devised.

Every time Mayor Bloomberg talks about climate action, he talks about strengthening New York City's economy. Every other mayor with experience in this arena says the very same thing.

In the corporate world, there are now scores of similar stories, too. Since 1990, DuPont has achieved a 75 percent GHG reduction and more than $3 billion in savings. The company has an $8 billion revenue goal for new renewable resource-based manufacturing businesses.

GE's "ecomagination" program has a $25 billion revenue goal from new business creation. GE had already reached $10 billion in 2005, with orders for $20 billion more in house now. The company's greenhouse gas emissions are down nearly 10 percent across the company already, generating hundreds of millions of dollars in energy savings.

Wal-Mart has pioneered massive energy savings across its supply chain and has saved hundreds of millions of dollars for its consumers in recent years. Dow has reduced emissions 20 percent and saved $3 billion doing it. IBM has saved nearly $800 million by becoming more efficient, and it is not even an energy intensive company.

All of these companies can talk about large GHG reductions and large energy savings and new opportunities. In each case, they took a smart, practical approach. In well-managed companies, energy efficiency now equals increased competitiveness. In many companies, it is also becoming a clear spur for innovation and new product development.

While these are all great important stories, we have just scratched the surface of opportunity. We could extract even greater economic benefit by reducing emissions and changing the energy paradigm, if we would only commit to the direction. Bill Clinton now says regularly that "creating the low carbon/clean energy economy is the greatest economic opportunity for America since we mobilized for World War II." Seen from that perspective, it seems so foolish to be merely tinkering around the edges. It means going further into debt, hindering our economy, paying more money to foreign oil producers, dirtying our air, fouling our water, and making people and the planet sick.

Climate action is not only an economic gold mine. It is also a political gold mine. Energy and dollar savings, new jobs, new businesses, and economic development opportunities translate into support for a clean energy politics, as well. Every politician who has embraced climate action and clean energy has benefited from it politically—just look at Governors Schwarzenegger, Crist, Corzine, Rell and many others, or Mayors Bloomberg, Hickenlooper, Daley, Nickels, Wynn, and many others.

Surveying the success stories and the economic modeling and planning, the biggest opportunities lie in three areas: buildings, transit, and renewable energy. Let's examine each.

Buildings

Buildings account for half of U.S. GHG emissions. In New York City, buildings produce an astonishing 80 percent of emissions. If we refurbished buildings on a systematic basis, the potential economic benefits are staggering. Let's use New York City as an example: tens of billions of dollars of energy savings each year; tens of thousands of new jobs; new business opportunities for firms that manufacture, wholesale, retail, transport, install, and finance the millions of lights, insulation, windows, doors, roofs, appliances, boilers, furnaces, air conditioning and heating, ground source heat pumps, solar hot water systems, photovoltaic systems, and rooftop wind turbines that will be retrofitted into these buildings by contractors, electricians, plumbers, and their helpers. Retrofitting buildings is the best climate and economic stimulus policy I can think of.

It's applicable in any size town all across America. In large towns and cities, it is decades of work, and when we get done with the first round we will need to go back in and do it again. It's a whole new economy. Why aren't we grabbing it? It will keep dollars in our communities; it will make our communities more competitive. What's kept it from happening is that we need new institutions, new financing mechanisms, new ways to get labor in place, new ways to manage at scale, but these are all challenges susceptible to practical solutions.

Transit

Sure, roads and highways are important, but what if we took all that federal money (now about 80 percent of our transportation bill) and put most of it into public transit? The short answer is that the jobs we'd create, the manufacturing we'd need, the dollars we would allow people to keep in their pockets would be extraordinary.

The average American household spends 19 percent of household income on transportation. Americans in transit-accessible communities spend 9 percent. Suburban and exurban Americans not served by public transit spend 25 percent and above, often more than their housing costs. Imagine the benefit if we put 10-15 percent of household income back into people's pocket books instead of sucking it out for higher energy costs. Remember, Portland is saving $2.6 billion annually from its transit investments. That's all money that stays in the community, and supports economic expansion.

It was particularly poignant last summer when low-income workers couldn't afford the higher prices they were paying for gasoline to use the roads. They were desperate to find alternatives and get a cheaper way to get to work. They will be in the same boat when gas prices go back up, which they will.

Transit systems are big job creators, too. A group called Transportation America estimates that building transit in 78 American metro centers would generate 6.7 million jobs. It also turns out that rail corridors are magnets for investment. One good example comes from Dallas, where its new transit corridor attracted $4.26 billion in investment between 1997-2007.

Renewable Energy

Sir Nicholas Stern, the British economist, estimates that the renewable energy markets will be worth $500 billion a year if the world acts at an appropriate scale to tackle climate change. This is another gigantic market opportunity for the U.S. and New York State to grab onto. With the right enabling policies, we could be growing our capacity to be major players in this market. We have seen California, Florida, New Jersey, Michigan, and Iowa all seize hold of this as a means for creating jobs and creating enterprises in recent years. New York could be doing much more here as well by enacting a larger renewable portfolio standard for the state or by imposing a feed-in-tariff to support renewable energy generators.

Conclusion

As we sit here in New York, we are witnessing a significant commitment to a clean energy economy coming from Washington, D.C. President Obama is looking for partners in the states to help develop an efficient and renewable energy future. At the moment, New York is in the odd position for such a great state of being significantly back in the pack, with many other states positioned ahead of us.

When New York set its 10 percent greenhouse gas reduction target back in 2002, it was in the forefront of U.S. states. Today, though, as I've mentioned, we are not well positioned. By updating our reduction targets, creating a climate action team, and developing a comprehensive plan for climate action in the state over the coming year, New York could reclaim its leadership position nationally and in the world and position itself for a greener, more prosperous economic future.

The question I leave with you today is whether we are going to go ahead and seize the opportunity or sit on the sidelines? Thank you.