

In Bill's Big Idea: Save the Climate, Share the Wealth

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For several years, Peter Barnes has been peddling a Big Idea about how to design climate change legislation so that it might actually be popular. Now he might finally get his day in the sun.

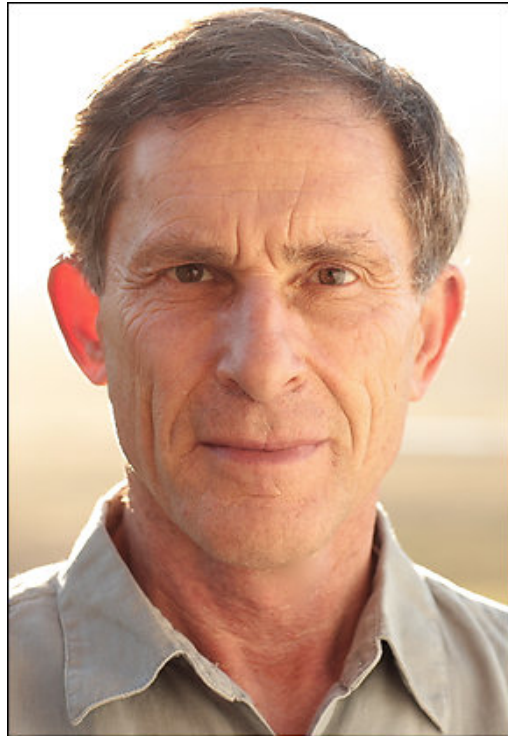
The idea is simple: Make companies pay for greenhouse gas emissions by auctioning off allowances – then send Americans equal checks for their share of the amount collected. He calls it "cap and dividend," and it resembles the plan Alaska uses for sharing oil royalties with residents by sending them annual checks.

An indication that Barnes's idea could become popular came last Wednesday: A version of it was introduced as legislation by [Rep. Chris Van Hollen](#) (D-Md.), co-chairman of the Renewable Energy and Energy Efficiency Caucus.

This year promises a vigorous debate on the climate issue. President Obama has vowed to push for climate change legislation that would establish a ceiling on greenhouse gas emissions and allow companies to trade allowances, a combination of regulation and market mechanism that could force Americans to pay extra for anything made with carbon, from electricity to gasoline to plastics. That's a potentially complicated and unpopular plan; its foes are already raising cries of "tax" to frighten voters and lawmakers at a time of economic distress.

Enter Barnes. He's an unlikely player in Washington. A Harvard graduate, he began his career as a journalist and wrote books with titles like "Pawns: The Plight of the Citizen Soldier" and "The People's Land." But then, he later wrote, he realized that "the market is mightier than the pen" and if he wanted to make the world "a little fairer," he should go into business. With a few friends, he started a solar energy company in San Francisco in 1976. After President Reagan eliminated tax breaks for solar power, the firm closed its doors.

In the mid-1980s, he co-founded Working Assets as a socially responsible money management firm. Its first ad displayed an ominous photo of a nuclear power cooling tower with the words: "It's 11 p.m. Do you know where your money is?" Later the company moved into



Peter Barnes's idea gained a Congressional foothold as a version was introduced in the House of Representatives last week.

Photo Credit: By Timothy Archibald

credit card and telephone service businesses. Every time a customer used the card, Working Assets donated 1 percent – a portion of the merchant's service charges – to good causes. Working Assets was soon making and giving away millions of dollars.

After retiring with a comfortable fortune, Barnes turned his attention to the problems of capitalism and climate change. In a book called "Capitalism 3.0," he wrote about how the economic system failed to protect common resources, such as air and water, because people didn't have to pay to pollute them.

His solution is a mix of capitalism, populism and environmentalism.

In "Who Owns the Sky?", he said that people who pollute the air should pay into a "Sky Trust" that would belong to everyone. "The trouble is, markets have no appreciation for intrinsic value. They're blind and dumb and stunningly mindless; they do what they're programmed to do with ruthless aplomb. That wouldn't matter if we could run our lives without markets. But we can't. We need to communicate with markets because markets determine how resources are used."

His plan would force the first sellers of fossil fuels – about a thousand companies such as coal mining firms or oil companies – to pay for carbon emissions. Those capturing and safely storing carbon dioxide emissions, something coal plants are looking at, would get credits.

Not everyone would come out whole. "Those who burn more carbon will pay more than those who burn less," Barnes wrote. "If you drive a sports-utility vehicle, you'll use more sky than if you ride a bus; hence you'll pay more scarcity rent. Since your dividend is the same no matter what, you'll come out ahead if you conserve [energy] and lose money if you don't."

With Obama and leading Democrats pushing for climate change this year, Barnes's ideas have suddenly moved from written theory to political reality. In a recent visit to Washington, he said, "We only have one shot at this, and if we don't do it right the first time, the planet is cooked."

Barnes said President Obama's "general framework is exactly right: set a cap, auction allowances and give most of the money back to the people." But he believes giving refunds would be better than Obama's proposal, which would extend the \$400 tax credit for working people with incomes below a certain amount. Because the price of emission allowances will fluctuate, outlays under Obama's approach could be higher or lower than the amount taken in. Moreover, Barnes said, a means test for carbon dividends would undercut popular support.

"If you give all the money back, you have a credible chance of getting Republican support," he said. "It's not only important for getting 60 votes in 2009, but to the long-term stability of the program."

He doesn't want it to go the way of President Jimmy Carter's solar tax credits. "In a very personal way, I learned the importance of having a broad constituency for directing people away

from fossil fuels. The fossil fuels lobby is very powerful."

Barnes said that "when you put a price on something that wasn't priced before, you're creating a whole new money flow. Over the years, it could come to trillions of dollars. So every interest group in America is interested in that. So the idea of giving the money back to the people is unpopular here in Washington, but outside Washington I think it's very popular."

Not everyone agrees. Fred Krupp, head of the Environmental Defense Fund and one of the architects of a detailed cap-and-trade program, said pricing carbon will extract more money from coal-intensive regions than others. "I think you have to have at least a transition period of many years, a decade or so, to give regions of the country the opportunity to move to non-polluting sources," Krupp said.

Philip R. Sharp, president of Resources for the Future and a former member of the House of Representatives, dismissed Barnes's plan as an effort to buy off voters. He said the money should be used to help low-income earners and ease regional disparities.

Van Hollen said he would be happy with Obama's proposal, but that he embraced the Barnes concept as an alternative. "Over time, the caps are going to come down and get tighter," he said. "Therefore, we're going to see an increase in costs. The more we can return those costs directly to the consumer, the better off the consumer will be and the better chance we'll have for retaining the support of the American people over the long haul."