

Economics of Regulation

Gernot Wagner

Federal carbon reduction policies

Criteria

| Policies | Emissions | | | | Economics | | | | Equity | | Overall Rating | |
|------------------------|-------------------------------------|-----------|----------------------------------|----------------------|-------------|------------|--------------------|----------------|----------------------------|---------------|----------------|--------|
| | Potential reductions within sector* | Coverage | Potential reductions in economy* | Reductions certainty | Flexibility | Innovation | Cost-effectiveness | Cost certainty | Potential for reallocation | Social equity | | |
| | Cap & Trade | | | | | | | | | | | High |
| | Cap & Dividend | = | | = | | | | | | | | Medium |
| | Carbon tax | = | | = | | | | | | | | Low |
| | Gas Tax | >> | Transport | ~25% | | | | | | | | |
| | Clean Energy Standards | 70% | Power | 60% | | | | | | | | |
| | Feed-In Tariffs | 70% | Power | 60% | | | | | | | | |
| | Harnessing private capital | 20-50% | Cross-sector | 20-50% | | | | | | | | |
| | EPA power regulations | 20% | Power | 20% | | | | | | | | |
| Fuel economy standards | 600%** | Transport | 25% | | | | | | | | | |

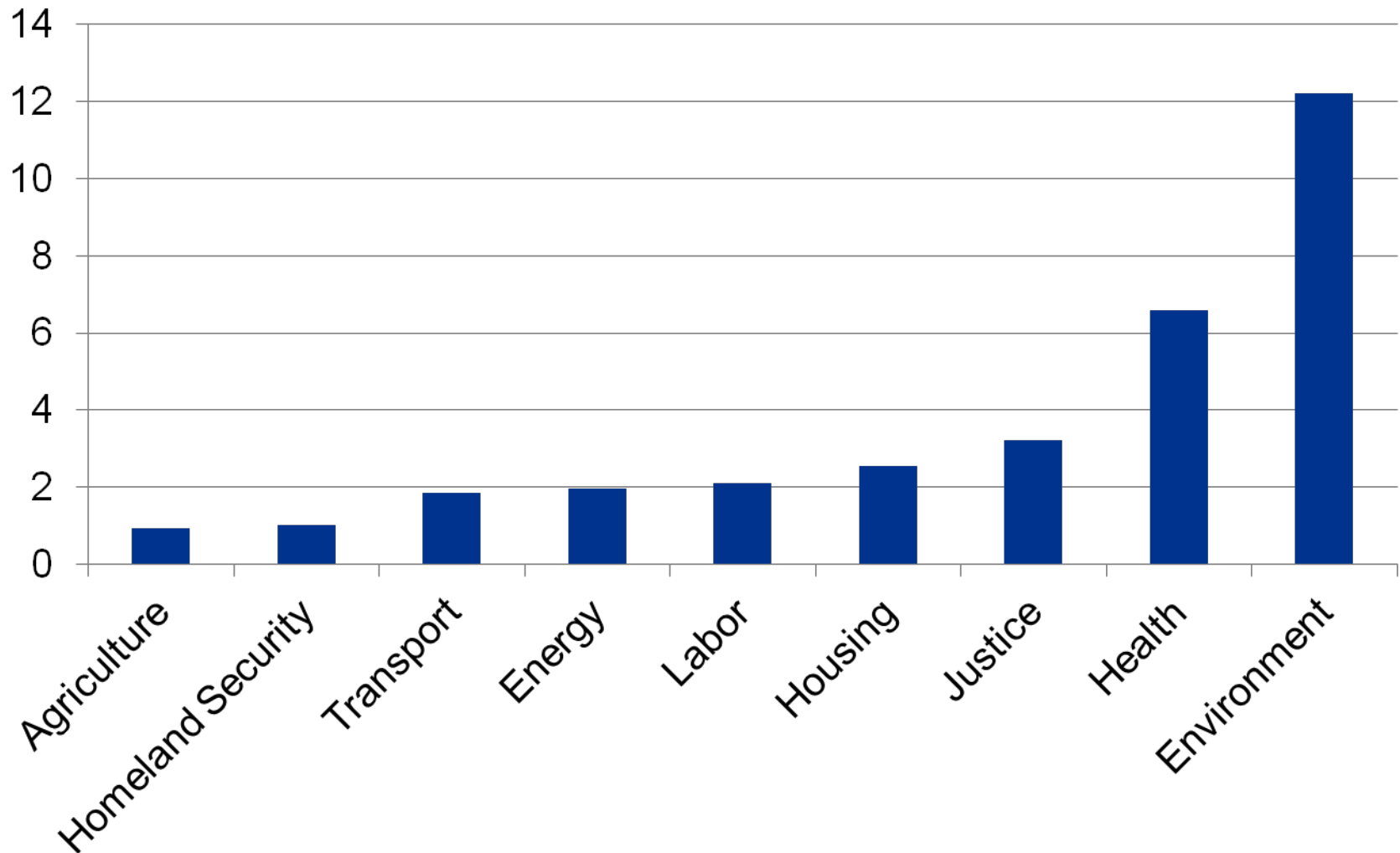
* Relative to covered Waxman-Markey emissions reduction targets of 42% below 2005 baseline by 2030.

** Road transport emissions increase under Waxman-Markey by 2030.

30 : 1

1.5%

EPA tops benefit-cost comparison across agencies



Source: OMB's "2011 Report to Congress on the Benefits and Costs of Federal Regulations"

Once you put capital to work, jobs are created.

Michael Morris
CEO, American Electric Power



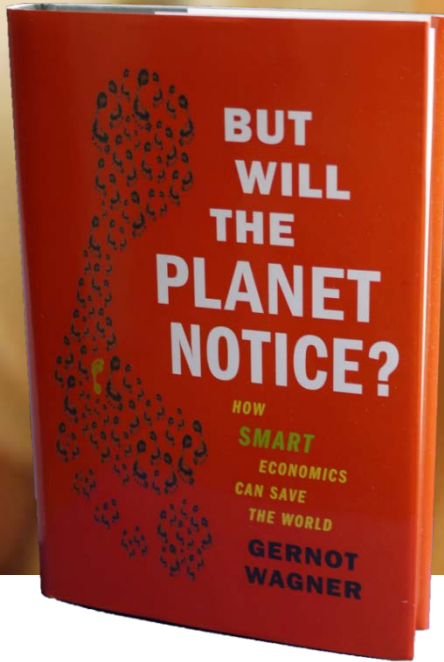
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