

# Comments on *Clearing the Zero-Emission Path*

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# Why This Report Matters

- This report finds that Cap-and-Invest and Low Carbon Fuel Standard [LCFS] subsidize oil industry by \$28B [2013-2024].
- Subsidy supports drilling & refining oil at the expense of supporting clean energy and transition to a clean, sustainable economy.
  - Californians pay for these policies to reduce carbon emissions, and forgo alternative superior policies that \$28B could support.

# Dollar Value of Subsidies to Oil Industry of Current Energy Policies to Reduce Emissions

- Report explains how Low Carbon Fuel Standard provides subsidies to carbon-emitting fuels
  - LCFS credits:  $\approx$  \$19.2B (renewable diesel, ethanol, biomethane, biodiesel)
- Explains how Cap-and-Invest directly subsidizes oil companies with free refinery and drilling allowances.
  - Free Cap-and-Trade allowances:  $\approx$  \$8.6B (refining & drilling)

# Subsidies to Oil Companies Cause Carbon Lock-In

Carbon Lock-In results in unintended consequences:

- Extends fossil infrastructure lifetime
- Delays electrification and decarbonization
- Creates stranded-asset risks
- Raises long-run costs

# Social Costs: Much Bigger Than \$28B

- Combusting oil and gas causes *impaired health and dirty air* plus extreme natural disasters from climate change.
- These costs are paid by the public [external costs].
  - Not paid by the oil companies, even though part of their operating costs.
- Better Air Quality and Health provide Co-benefits of Clean Energy Decarbonization Technologies

This is why we must replace oil and gas energy with clean energy as soon as possible.

# Opportunity Cost: What Public Is Foregoing

- Opportunity cost shows what else \$28 billion could fund.
  - Public resources are scarce; residents pay for the policies.
  - Subsidizing combustion fuels means not funding alternatives.
- Report provides illustrative alternative investments to reduce emissions and improve health and lives of Californians.
  - These are examples of the opportunity costs of the \$28B subsidies.

# Regressive Impacts

- Cap-and-Trade  $\approx$  \$0.25/gal (2025)
- LCFS  $\approx$  \$0.13/gal (2025)
  - Total  $\approx$  \$0.38 per gallon
- Fuel costs are regressive
  - Disproportionate burden on lower-income households

# Revenue Design Matters

- Carbon pricing is not inherently regressive
  - Depends on *who pays and who benefits*
  - Design emissions reduction policies to include affordability and equity goals
  - Input from at-risk communities and environmentalists helps design policies to reduce emissions and improve the quality of life of those most at risk.

# Guardrails and Reform

- Differentiate low-carbon technologies by *those that have future emissions and those that do not*.
- Design sustainable policies with both zero emissions and reduced impact, improved health for at-risk communities.
  - Subsidize policies with these twin goals.
  - Phase out subsidies for oil and gas energies.
  - Climate policies must fund transition to clean energy economy.

# **Closing:**

## **Design Better Emissions-Reduction Policies**

*Good Carbon Reduction Policies:  
reduce both emissions and unequal impact.*

- Design policy with Equity and Clean Energy Transition as core principles.
- Have subsidies for clean energy and not oil companies.
- Ending emissions from oil and gas energy reduces the social costs of energy, as clean energy provides cleaner air and better health for all residents.

**We must fund the future—not extend the past.**

Thank you!

I look forward to your questions.

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