Comments on Modeling Needs for Climate Policy

NAS Workshop on Economic Models in Climate Policy

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What you are interested in, I am not confident about

What you are confident about, We are not interested in
Offsets matter a lot: How well are we modeling them?
Allowance Price Projections:
Variations on Lieberman-Warner

*Prices vary (2-4x) by technology availability, costs, and policy flexibility*

Modeling work coordinated by Nicholas Institute using ADAGE model (RTI)
National Mitigation Cost Curve for Agriculture, Forestry, and Biofuel Offsets

From EPA (2005) Greenhouse Gas Mitigation Potential in U.S. Forestry and Agriculture
Offset Supply Functions

Note difference in scale between two graphs

EPA Domestic Offsets (non-covered sources + biological sequestration)

EPA International Offsets Available to the U.S.

Domestic

International
Ongoing work

• FASOMGHG modeling: Biofuels are changing offset supply from agriculture and forestry

• REDD: Reduced Emissions from Deforestation and Degradation => large international potential
  – Need to coordinate modeling efforts
Transportation: How well do models capture the effects of a strong carbon price?
Transportation reductions largely come through baseline reductions via EISA and CAFE