UC SANTA BARBARA

THE Current

May 27, 2019

Sonia Fernandez

Climate Undermined by Lobbying

For all the evidence that the benefits of reducing greenhouse gases outweigh the costs of regulation, disturbingly few domestic climate change policies have been enacted around the world so far.

So say UC Santa Barbara professor and economist Kyle Meng, and co-author Ashwin Rode, a former UCSB Ph.D. student now at the University of Chicago, in a paper published in the journal Nature Climate Change.

“There is a striking disconnect between what is needed to avoid dangerous climate change and what has actually been done to date,” said Meng, a professor in the Bren School of Environmental Science & Management and in the Department of Economics. One common explanation for that disconnect, he added, is that jurisdictions are reluctant to adopt climate policy when they can simply benefit from the reductions implemented by other jurisdictions.

However, say Meng and Rode, the political process that leads to climate change regulation can be a barrier to its own legislation.

“There is an increasing concern that this lack of climate action may be due to political influences,” said Meng, who is also a director at the Bren-based Environmental Market Solutions Lab (emLab). Lobbying between special interest groups and the legislators they target can decrease the chances of putting such policies into effect.

To illustrate this, the researchers examined the role of political lobbying in the private sector around the 2009-2010 Waxman-Markey (WM) Bill. Also known as the American Clean Energy and Security Act, the energy bill was the most prominent — and promising — U.S. climate bill to date. And its failure nearly a decade ago continues to shape climate policies today, including the current uncertainty surrounding future global climate negotiations.

“Basically, without a binding U.S. climate policy, there is very little pressure for countries around the world to step up and adopt their own serious climate mitigation plans,” Meng explained.

At the time the bill was proposed, according to the researchers, lobbying around WM was called “the sum of all lobbies.” In total, companies spent more than $700 million lobbying the bill; about 14% of that was spent between 2009 and 2010. Taking into account data from comprehensive U.S. lobbying records and combining them with an empirical method for forecasting the policy’s effect on the value of publicly listed firms, the researchers were able to estimate how the stock values of these firms would change had WM been implemented.

Their approach also allowed them to determine which firms were expected to gain or lose value from the policy. Knowing who the winners and losers were would allow the researchers to determine if they were differentially effective in influencing the policy’s chances. According to Meng and Rode’s statistical analyses, lobbying by firms expecting losses was more effective than lobbying by firms expecting gains.

All told, the total lobbying by these companies reduced the bill’s chances by 13 percentage points, from 55% to 42%, representing $60 billion (2018 dollars) in expected climate damages due to the lowered chance of enacting U.S. climate policy.

This is the first study to quantify the effects of lobbying in altering the likelihood of enacting climate policy. Generally, lack of data has made it difficult to examine who is spending how much to influence the process, and what data there is often does not reveal who would win or lose, or by how much.

“Our findings also provide a glimmer of hope by paving a path toward more politically robust climate policies,” Meng said. The authors show that the very political forces that lowered WM’s chances could have been leveraged to instead reduce political opposition. For instance, WM was a cap-and-trade bill that issued a

“capped” number of emission permits which regulated companies could trade in order to comply with the policy. Some of these permits are typically allocated freely to regulated companies. If such free permits are better targeted towards oppositional firms, they may in turn reduce political opposition against the policy.

“Subtle design changes to market-based climate policies can alleviate political opposition and increase chances of adoption,” Meng said.

About UC Santa Barbara

The University of California, Santa Barbara is a leading research institution that also provides a comprehensive liberal arts learning experience. Our academic community of faculty, students, and staff is characterized by a culture of interdisciplinary collaboration that is responsive to the needs of our multicultural and global society. All of this takes place within a living and learning environment like no other, as we draw inspiration from the beauty and resources of our extraordinary location at the edge of the Pacific Ocean.