From:	Metcalf, Gilbert
To:	Richards, Kimberly
Cc:	Black, Laura; Tonkonogy, Bella; Fogle, Loretta; Urbanas, Elizabeth (Beth); Demopulos, Abigail
Subject:	info memo on leveraging private sector climate finance: strategic plan for office
Date:	Monday, March 19, 2012 4:25:00 PM
Attachments:	InfoMemo-ML_privatesectorstrategy_031612.docx InfoMemo-ML_privatesectorstrategy_031612_18.docx

Kim,
Attached is an info memo for Marisa detailing our thinking on how to make progress on the question of leveraging private sector climate finance this year. I've attached 12 and 18 point versions of the memo. There is no urgency to Marisa's seeing this but her feedback will be invaluable when she can turn to it.

Loretta: could you print out both versions to deliver to Kim's office.
Thanks.
Gib

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March 16, 2012

INFORMATION MEMORANDUM FOR ASSISTANT SECRETARY LAGO

FROM: Gilbert E. Metcalf
Deputy Assistant Secretary, Office of Environment and Energy

SUBJECT: Private Sector Engagement Strategy

Summary: Developed countries committed at the 2009 UN climate negotiations in Copenhagen to mobilize jointly $100 billion annually in climate finance for developing countries by 2020. Given the increasingly scarce public funding for climate finance, reaching that goal will require effectively leveraging private climate finance through the careful use of public funds. Multiple USG efforts are underway to understand how we can best use bilateral institutions (e.g. OPIC) and multilateral institutions and funds (e.g. GEF, CIFs, and GCF) to help achieve this goal. In an effort to bring some systematic analysis to the problem, the E&E office has developed a private sector strategy and work plan for 2012 to develop a clear, consistent vision for multilateral institutions and funds in leveraging private climate finance.

Background: While the issue of leveraging private finance in climate change has been on the international climate agenda for a number of years, the issue has gained visibility and interest in recent years, due to several factors: 1) a commitment made at the Copenhagen climate negotiations in 2009 to mobilize jointly $100 billion of climate finance annually from developed to developing countries by 2020; 2) the lack of a global price on carbon to directly incentivize private sector participation in clean energy; and 3) an increasing gap between the need for climate mitigation and adaptation funding and the availability of public funds.

While several U.S. agencies have important equities in this topic, including State, USAID, DOE, OPIC, and Commerce, Treasury's comparative advantage is in its role in oversight and design of multilateral funds and institutions, participation in various intergovernmental policy forums, and domestic policy experience.

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[redacted]

Not Responsive

[redacted]

March 16, 2012

INFORMATION MEMORANDUM FOR ASSISTANT SECRETARY LAGO

FROM: Gilbert E. Metcalf
Deputy Assistant Secretary, Office of Environment and Energy

SUBJECT: Private Sector Engagement Strategy

Summary: Developed countries committed at the 2009 UN climate negotiations in Copenhagen to mobilize jointly $100 billion annually in climate finance for developing countries by 2020. Given the increasingly scarce public funding for climate finance, reaching that goal will require effectively leveraging private climate finance through the careful use of public funds. Multiple USG efforts are underway to understand how we can best use bilateral institutions (e.g. OPIC) and multilateral institutions and funds (e.g. GEF, CIFs, and GCF) to help achieve this goal. In an effort to bring some systematic analysis to the problem, the E&E office has developed a private sector strategy and work plan for 2012 to develop a clear, consistent vision for multilateral institutions and funds in leveraging private climate finance.

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[redacted]

From: Tonkonogy, Bella
To: Climate Team
Subject: Readout from Rio+20 Finance Ministers discussion
Date: Tuesday, June 26, 2012 6:11:34 PM
Attachments: Readout of G20 Ministerial Seminar_062112.docx

In case this is of interest, these are my notes from the discussion last week in Rio that Fazenda put together. Lots of FFS and GCF mentions.

Readout of G20 Ministerial Seminar on A Green and Inclusive Economy: The Finance Ministers' Perspective
July 21, 2012 3:30-6:30pm
Rio+20
Rio de Janeiro, Brazil

Participants:
Two Panels were moderated by Minister Mantega of Brazil (Panel 1: "Green and inclusive economy: the road to sustainable development") and Minister Meade of Mexico (Panel 2: "Changes in patterns of production and consumption in a context of structural economic change") to a packed audience.
Interventions from Switzerland, South Africa, Antigua & Barbuda, Ecuador, Denmark, UAE, Greenland, Korea, Turkey, Nigeria, Algeria, China, and Japan; and IMF, World Bank, IADB, UNCTAD, and the International Labor Organization (ILO).

Common Themes:
Key themes of many Ministers and International Organization (IO) representatives were 1) phase-out of inefficient subsidies, particularly fossil fuels; 2) the need for green growth to be inclusive- to address rich/poor disparities; 3) green infrastructure investment, including mentions of the Green Climate Fund; and 4) measurement to aid green growth policies- with natural capital accounting highlighted several times.

Specific Highlights:
Panel 1:
Brazil: discussed its strategy of economic growth + environment preservation + social inclusion, noting that each country has its own path and choices on development policies. Mantega noted often higher cost of environmental protection in the short run offset in long run with lower costs.

South Africa: Who benefits from growth is central- must be inclusive to be sustainable. The financial crisis has increased need of finding synergies among the 3 pillars of sustainable development (economic, environment, and social). Also discussed South Africa's tax policies- a fuel levy on consumption, an electricity generation tax, and accelerated depreciation for renewable energy. A carbon tax is under discussion. Highlighted South Africa's national Green Fund.

Denmark: green growth is more efficient, need for natural capital accounting, bulk of investment is from private sector

Switzlerland, Korea: both mentioned their candidacies to host the GCF

OECD (SG Gurria): began with the statement "there is life after debt" and then gave a succinct slogan to the green growth cause: "go structural, go social, go green." In highlighting OECD's recent report to the G20, he discussed the need for broad framework policies; incentives, such as price signals, to use natural resources efficiently; and the importance of reducing fossil fuel subsidies.

World Bank: Highlighted two elements- first that countries need data to guide policymakers, mentioning the World Bank's Natural Capital Accounting initiative (Brazil, Japan, and Nigeria also supported this initiative in the panel); and second- green growth is affordable, particularly in comparison with the costs of environmental degradation.

IMF: Subsidy reform provides fiscal space to promote inclusive green growth. Also highlighted carbon taxes, and IMF's cooperation with WB & UNDP to leverage knowledge.

Ecuador: spent most of allotted time describing need for developed countries to pay for developing countries' sustainable development and take primary action (also a central theme of Algeria's and China's interventions in Panel 2; China even blamed developed countries for transferring dirty technology previously).

<u>Panel 2:</u>
Nigeria: Ngozi was a real highlight of the event by describing in detail her efforts to phase out fossil fuel subsidies. She listed several areas where finance ministries can play an important role: first, on fiscal policies and subsidies; second, on structural reforms (Nigeria is in the process of privatizing their electricity generation sector); and third, on strategies to increase productivity in important sectors (for example, agriculture, which is a leading contributor of GHG emissions in Africa). She suggested that the Green Climate Fund might be able to help on introducing the "right kind of prices."

Japan (Naoko Ishii): 1) price public bads, do it nationally but coordinated; 2) do major things differently- i.e., natural capital accounting; and 3) put finance into the equation- i.e., use limited public funds to induce change.

IADB (President Moreno): Highlighted need for information and green infrastructure investment. On information, mentioned the launch at Rio+20 of the MIF's ClimateScope investment climate tool. On green infrastructure investment, mentioned the joint announcement of 8 IFIs at Rio+20 to provide $175 billion in sustainable transport financing.

UNCTAD: He noted that the GCF was unlikely to be able to operate in "normal manner" due to budget issues; it would need to find innovative ways of financing.

ILO: Highlighted the role of finance ministries in the integration/coherence of policies, noting especially such a role for the development of the Sustainable Development Goals which were initiated at Rio+20.

From: Metcalf, Gilbert
To: Tonkonogy, Bella; Demopulos, Abigail
Cc: Urbanas, Elizabeth (Beth); Lien, Elizabeth
Subject: TPs for IETA Carbon Forum
Date: Wednesday, September 26, 2012 6:10:00 PM
Attachments: IETA Panel100212.doc

I'm on a panel at the IETA Carbon Forum next Tuesday on the following topic:

- **Low-Carbon Finance & Investment: Where Will the Money Come From?**
  This session looks at the quickly-evolving international climate finance landscape, as well as explores the emerging breed of innovative low-carbon financial products & instruments. The audience will be introduced to a selection of public & private thought leaders across the eco-financial spectrum. Examples of recent developments & initiatives that will be explored by panelists include: the status of UN's Green Climate Fund; green bonds; de-risking and risk-sharing structures; carbon market insurance products; new market platforms and tools etc…This session provides an invaluable opportunity to join an exciting deep-dive into the eco-financial toolkit(s) of today, and what that toolkit might look like in the years to come.

Other panel members are Jane Ebinger, Bob Dixon, Maria Netto (IDB) and Cameron Prell (McGuire Woods) moderating. There will be brief opening remarks followed by panel discussion and Q&A.

I cribbed comments from several sources. Would welcome feedback and suggestions on these. Also, any questions that you think I'll need to be prepared for. I jotted down a few (no answers needed for those); you may have others.

Will need any feedback by COB Monday.
Thanks,
Gib

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IETA Carbon Forum

Low-Carbon Finance & Investment: Where Will the Money Come From?
2:00 – 3:15 pm, Oct. 2, 2012
Format: Panel discussion with 10 – 15 minutes of "structured discussion" followed by Q&A

This session looks at the quickly-evolving international climate finance landscape, as well as explores the emerging breed of innovative low-carbon financial products & instruments. The audience will be introduced to a selection of public & private thought leaders across the eco-financial spectrum. Examples of recent developments & initiatives that will be explored by panelists include: the status of UN's Green Climate Fund; green bonds; de-risking and risk-sharing structures; carbon market insurance products; new market platforms and tools etc…This session provides an invaluable opportunity to join an exciting deep-dive into the eco-financial toolkit(s) of today, and what that toolkit might look like in the years to come.

I. Overview

- Stimulating low-carbon investments starts from a core premise: an appropriate risk adjusted return must be available to investors. That means getting the risk-return balance right.
- If the GCF is to go beyond what the CIF has done, it will have to test out interventions that change market conditions such that private clean investment flows continue well beyond any intervention by the GCF. This is what it means to be transformational.
- Also important to recognize that the developed country public funds will not be sufficient to address the problem. It is too large for any single sector to tackle alone. We will need public and private moneys to flow if we are to move to a low-carbon world.

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Questions to Anticipate:

- What is the role of the GCF in the commitment to mobilize $100 billion annually?
- What role does USG envision the PSF playing?
- What are the prospects for a carbon tax in the US?
- ??

From: Metcalf, Gilbert
To: Eberly, Janice; Mazur, Mark
Cc: Gelber, Alexander; Aaronson, Stephanie
Subject: leader in most recent Economist
Date: Tuesday, July 10, 2012 9:42:00 AM
Attachments: Economist_7_7_12 Leader-Australias new taxes-Underland Revenue.pdf

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Thought you might find this leader from the most recent *Economist* on Australia's new carbon tax of interest.

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The Economist

Australia's new taxes

Underland revenue

The right place to look for fiscal resources

Jul 7th 2012 | from the print edition

CASH-

STRAPPED governments everywhere are on the hunt for new sources of revenue. Some are casting their net outwards, chasing expatriates and tax refugees. Some are looking upwards, taxing high earners and corporate jet-setters. One or two are even looking backwards. India, for example, has imposed a retroactive tax on some big foreign acquisitions dating back five years or more.

Australia is looking, er, down under. On July 1st it imposed two new taxes: a mining levy and a carbon tax. Both taxes are controversial, and the manner in which they were introduced was shoddy. And yet, compared with some clumsy revenue-raising elsewhere, Australia's two new taxes bear at least a family resemblance to sound policymaking.

No one likes taxes. Economists dislike them not because they relieve people of their money, but because they distort people's behaviour. Income taxes discourage work; corporate taxes inhibit enterprise; even consumption taxes obstruct some mutually beneficial exchanges. These lost purchases deprive customers of a deal and shops of a sale, without raising any money for the government. The best taxes impinge little on the decisions people make, or fall on things worth inhibiting. Carbon taxes are an example of the second, forcing people to bear more of the cost of the carbon they burn, including its unpriced contribution to global warming. Australia, which emits more carbon dioxide per head than any other member of the G20, now charges 300 firms A$23 ($24) per tonne for the privilege, a higher price than prevails under the European Union's emissions-trading scheme.

Australia is carbon-intensive largely because it is rich in coal, one example of its enviable mineral wealth. Those God-given minerals earn "rents", returns greater than the minimum required to attract the labour, capital and expertise necessary to extract them. As commodity prices have risen, those rents have grown conspicuously. A tax on such excess returns makes sense, helping to raise money without hurting motivation.

A government review of Australia's taxes proposed such a tax in 2010. Alas, the mining levy introduced this month falls short in several ways. It is confined to iron ore and coal, and charges a lower rate than an existing tax on oil and gas. An ideal tax would treat all resources equally. The current tax also fails to replace the royalties imposed by Australia's states, because the government did not leave time for the negotiations such a fiscal consolidation would have required.

Tax things you want less of

Australia's carbon tax is also marred by politics. It reflects not only the environmental cost of carbon but also the political price extracted by the Australian Greens for supporting the minority Labor government. Labor wants to convert it into a trading scheme in a few years; the opposition has vowed to repeal it. That makes it hard for people to plan around it.

Both taxes, therefore, have birth defects. But that should not obscure the merits in their conception. They have allowed the government to lower taxes on work, by raising the threshold for income tax. And although the opposition blocked a cut in corporate income tax, the government will offer other tax breaks for business instead. Other governments would do well to emulate and improve upon Australia's efforts to shift the tax burden from hard-earned wages and profits to unearned rents and uncompensated harms.

from the print edition | Leaders

From:	Metcalf, Gilbert
To:	Urbanas, Elizabeth (Beth); Lien, Elizabeth; Demopulos, Abigail; Tonkonogy, Bella
Subject:	IMF climate finance chapter
Date:	Friday, May 04, 2012 5:34:00 PM
Attachments:	Ch 7.docx

FYI. This is from a book that the IMF will be publishing later this year on using fiscal policy to mitigate climate change. Mick Keen, Ian Parry and Ruud de Mooij are the editors.

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The attachment is being withheld because it contains a chapter (or chapters) from a book that is available for sale at: http://www.imfbookstore.org/ProdDetails.asp?ID=DFPMEA

From:	Metcalf, Gilbert
To:	Jaffe, Judson; Hall, Daniel
Cc:	Urbanas, Elizabeth (Beth); Demopulos, Abigail
Subject:	RE: Korea cap and trade
Date:	Friday, May 04, 2012 9:16:00 AM

That would be great. thanks.

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From: Jaffe, Judson
Sent: Friday, May 04, 2012 9:13 AM
To: Metcalf, Gilbert; Hall, Daniel
Cc: Urbanas, Elizabeth (Beth); Demopulos, Abigail
Subject: RE: Korea cap and trade

I have not. But we can pull together a summary.

Judson Jaffe
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Phone: 202.622.7751
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From: Metcalf, Gilbert
Sent: Friday, May 04, 2012 8:55 AM
To: Jaffe, Judson; Hall, Daniel
Cc: Urbanas, Elizabeth (Beth); Demopulos, Abigail
Subject: Korea cap and trade

Jud or Daniel,
Have you seen any details about this new scheme?

South Korea joins nations preparing cap-and-trade markets

Lisa Friedman, E&E reporter
Published: Friday, May 4, 2012
Senate Foreign Relations Chairman John Kerry (D-Mass.) yesterday hailed South Korea for approving an economywide carbon market as part of a broad government attack on climate change.
Under the measure, approved 148-0 with three abstentions, Korea's cap-and-trade system will take

effect by 2015. The National Assembly vote comes on the heels of sweeping new climate legislation in Mexico and marks Korea as one of a growing number of nations making good on pledges to cut greenhouse gas emissions.

"What else is new?" Kerry said in a statement to *ClimateWire*. "South Korea just joins China, New Zealand, Mexico, Australia and the European Union in seizing the economic rewards of a sustainable economy by putting a price on carbon. The big question is why we're among the outliers.

"It's negligent for Congress to continue ignoring and obstructing when other countries realize they're getting an economic boost out of leading the way," Kerry said.

Environmental activists echoed Kerry's comments. Several said Korea's decision -- made after intense, months-long negotiations with business and industry lobbies, underscores America's absence from the clean-energy race.

"This is definitely a significant development in global climate policy," said Jennifer Haverkamp, international climate director for the Environmental Defense Fund.

"It's not only the first Asian country to go forward and embrace comprehensive climate law, but it's also a fast-growing economy that's basically just graduated from developing to developed country status, and they're looking to the future and very consciously ... decided to benefit from low-carbon economy of the future," she said.

Market linkage could be next step

Keya Chatterjee, director of international climate change policy for the World Wildlife Fund, said: "This is a race, and we're clearly losing." Korea's vote, she said, puts new pressure on the United States to "get together the courage to move" into emissions trading.

But Lee Lane, a visiting scholar at the conservative Hudson Institute, said he is comfortable seeing America's economic competitors take the lead. "If those countries want to substitute more expensive energy for less expensive industry in their own industries, the United States gains competitively from that. So as far as I'm concerned, it's just fine from the standpoint of U.S. national interests," he said. "The farther behind we fall, the better off we are in this particular race."

Moreover, Lane argued, until countries like China and India impose full carbon markets, incremental moves by various countries do not add up to enough to curb global emissions.

China currently has several pilot carbon trading programs under way. Speaking in New York earlier this year, the country's top climate negotiator said those could eventually become a nationwide carbon market.

Korea's market, meanwhile, could be linked with Australia, New Zealand and the European Union's markets by 2020, analysts said. Under the program, companies, factories and farms that emit 125,000 metric tons or more of carbon dioxide annually will be subject to the trading system. Over the coming months, Haverkamp said, the government will hammer out the regulations putting the law into action.

She said the new moves by countries like Australia, Mexico and Korea could have a material impact on the global climate talks.

"It's extremely interesting that it's a suite of mid-sized countries who have decided that they're not going to wait around," she said. "The more countries that do it, I think, gives more encouragement to others that it is in their national self-interest to go forward."

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From: Metcalf, Gilbert
To: Jaffe, Judson
Subject: RE: legislation
Date: Monday, August 20, 2012 9:22:00 AM

Interesting. This approach is similar in spirit to an idea I proposed in a paper a few years ago on how a price based approach could be modified to account for quantity targets.

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From: Jaffe, Judson
Sent: Friday, August 03, 2012 9:13 AM
To: Metcalf, Gilbert
Subject: RE: legislation

Here's a section by section summary of the bill from Congressman McDermott's website. The text of the legislation still is not available from his website or from Thomas/GPO. I'll keep looking…

http://thomas.loc.gov/cgi-bin/bdquery/D?d112:30:./temp/~bdydst::|/bss/|

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From: Metcalf, Gilbert
Sent: Thursday, August 02, 2012 10:46 AM
To: Jaffe, Judson
Subject: legislation

Can you get a copy of this?

McDERMOTT TO INTRO CARBON TAX LEGISLATION: Rep. Jim McDermott (D-Wash.) will introduce a bill today to create a carbon tax that he says will create incentives for long-term changes in the U.S. energy market without harming the economy, and in fact, providing much needed revenues. McDermott: In politics, "you plant seeds. You put ideas out there and you let people think about" it, he said. "If someone has a better idea, I'm willing to consider it. I think that when we come back in January, we talk about tax reform, I don't want it to be thrown on the table" at the last minute. "So I'm putting it out there as a think-piece.'

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From:	Metcalf, Gilbert E.
To:	Metcalf, GilbertDisabled
Date:	Wednesday, May 16, 2012 8:17:56 AM
Attachments:	CH0_Metcalf_v2.docx

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http://works.bepress.com/gilbert_metcalf/

Carbon Taxes

Gilbert E. Metcalf
Department of Economics
Tufts University and NBER and
David Weisbach

University of Chicago Law School

May 4, 2012

Prepared for the Encyclopedia of Energy, Natural Resources and Environmental Resources.

The article is available for purchase as part of the referenced encyclopedia.

2012-08-054_000000000001351

From:	Metcalf, Gilbert
To:	Berg, Katie
Subject:	forestry chapter from an upcoming IMF book on climate change policy
Date:	Friday, May 04, 2012 5:29:00 PM
Attachments:	Ch 5.doc

Katie,
I thought you might find this chapter from a book that Michael Keen and others at IMF are editing of interest.
Gib

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The attachment is being withheld because it contains a chapter (or chapters) from a book that is available for sale at: http://www.imfbookstore.org/ProdDetails.asp?ID=DFPMEA