



HOSTED BY:



CO-HOSTS:



Innovative Free Market Solutions to Climate & Poverty

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GRF Mission:

Pioneer new free market solutions to critical issues in gridlock

GRF Method:

Address the most gridlocked issues of the day

Find a better free market solution

Result:

Better solutions that also expand freedom & inclusive prosperity & consensus

Less polarized politics, more harmonious society

GRF: Policy Pioneer – not a Policy Champion:

- All policies have pros & cons. All must be updated as times change.

Clean Free Market Policy – not Market-Based or Artificial Markets:

- Laissez-faire vs Restrictions on freedom
- Remove tax, trade bureaucratic barriers vs Impose barriers
- Expand freedom, competition, markets & opportunity vs Constrain markets
- Empower broad participation & higher potential profits vs Take & transfer wealth
- Investment tax rate cuts vs Conventional carbon pricing, tax credits & transfer subsidies
- All carrots & carrot seeds (& NO STICKS!) vs Sticks & carrot cake

Today's Climate Policy: In Gridlock & (Sorry!) Driving Polarization

- At best, market-based, but not quite free market
- Carbon tax, conventional subsidies, regulation, artificial carbon markets
- Politically-created monopoly power sectors, often incumbent- or crony-dominated

Sticks (negative incentives & higher taxes & regulation) drive opposition:

- Less-free-market policy
- Slows growth, raises prices, increases poverty, makes enemies
- In US: Perceived as Tax & Spend Big Government Agenda, or Climate Socialism
- Out of date & off target

New Policy Leverage Points

Falling Costs / Emerging Profits (unsubsidized since 2011 - 2015)

Growing Green Bond / Debt / Equity Markets (rapid growth since 2012)

- Price is still a factor, but no longer THE critical path barrier.
- Less need to make the unprofitable viable.
- That focus of older subsidy or pricing policies now increasingly off-base.
- Critical path barriers today: closed markets & technology constraints

New Policy Options

Let them compete! Expand freedom, competition and open markets

Tax rates on new profits & new market instruments

New Free Market Proposals

Clean Free Market Policies: reduce tax, tariff and bureaucratic barriers

- **The Declaration on Energy Choice & Competition:** Let them compete!
- **Agreement on Climate Change, Trade & Sustainability (ACCTS):** No tariffs or subsidies!
- **Clean Tax Cuts (CTCs):** Equity or debt business/investment tax rate cuts for clean solutions
 - **Clean Free Market Act (CFMA):** Debt-side CTCs drive build big clean free markets
 - **First-Five Innovation Tax Cuts:** First five power plants of a new zero emission tech – tax-free
 - **Clean Product CTCs:** Lower tax rates for investment income from certified clean products
 - **Clean Competition CTCs:** Tax-free gains for utilities that demonopolize, privatize & breakup

US Tax Credit Subsidies (ITC/PTC) vs Clean Tax Cuts (CTCs)

- Robs Peter to pay Paul vs Empowers Paul to keep & deploy more profit
- Props up the unprofitable vs Cannot support the unprofitable
- Promotes failure vs Accelerates the most profitable low-cost innovator the most
- Makes all energy more expensive vs Makes clean energy less expensive
- Hard for use, except for BIG players vs Easy for all entrepreneurs, large & small
- Constrict market to the ultra-rich vs Expands investor participation to everyone
- Wastes most subsidy money on bankers & lawyers vs Highly cost effective
- From Latin “subsidiere” – to sit under, push up vs More like aerodynamic lift
- Shrinks growth & GDP vs Expands growth & GDP

Carbon Tax vs Clean Tax Cuts (CTCs)

- Taxes consumption (weak impact) vs Cuts investment taxes (strong impact)
- Negative incentive (stick) vs Positive incentive (carrot)
- Raises fossil fuel energy prices vs Lowers clean energy prices
- Raise ALL prices (inflationary) vs Reduces all prices
- Regressive: harms the poor most vs Benefits the poor & all investors
- Shrinks growth & GDP; more poverty vs Expands growth & GDP: less poverty
- Both price carbon via a tax differential signal. CTCs address more than carbon
- CTCs also signal clean profit potential for any low-or-no-pollution enterprise

Supply-Side Tax Cuts vs Clean Tax Cuts (CTCs)

- Both reduce strong investment disincentive distortion of investment taxes
- CTCs also reduce distortion of negative externalities
- CTCs also promote competition: reduces distortion of uncompetitive power sector
- CTCs also reduce distortion of bad climate, environmental and energy policy
- Low tax rates vs Even lower tax rates, driven by need for environmental benefits
- Expands growth & GDP vs Expands growth & GDP even MORE
- Broad based tax cuts vs Potentially broad based tax cuts if designed correctly
- Accelerates all innovation vs Accelerates innovation that reduces pollution
- CTCs, deployed internationally, can expand freedom

Clean Asset Bonds & Loans (CABLs)

New Class of Security: Private, Tax-Exempt Debt for Clean Infrastructure

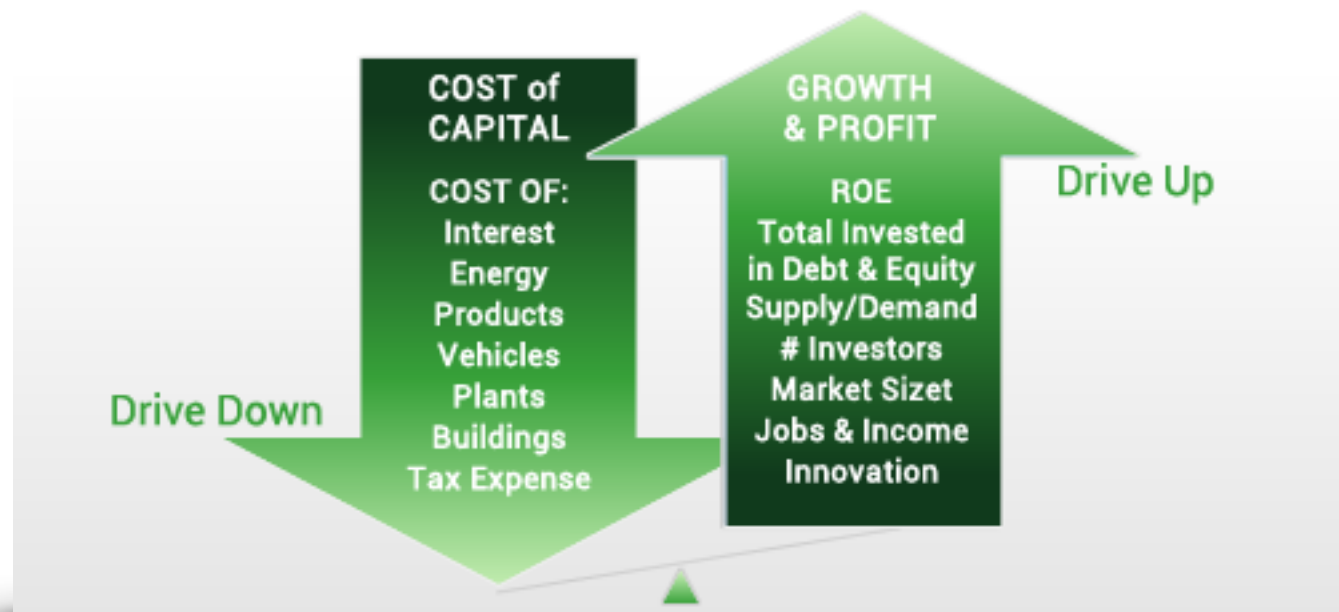
Tax-free interest, like a municipal bond, but private, operating in a 10X bigger market.

- Applies supply-side tax cut directly to financial leverage
- Reduces cost of capital allows for greater profits and/or cheaper clean infrastructure.
- Leverages up return on equity
- Attracts investor to BOTH tax exempt debt and taxable equity
- Expands investor pool worldwide, for both debt & equity, all investors large and small
- Provides simpler alternative to tax equity trading. Easier to use for developer & investors
- Avoids illiquidity problem of MUNI Bonds for an even lower cost of capital.

CABLs could potentially apply to any technology with proven eco-benefits and profitability; CABLs are tech neutral.

TAX-FREE PRIVATE DEBT

Clean Tax Cuts + Financial Leverage



Clean Asset Bonds & Loans - Very Cost Effective

Incent and give up tax revenue where returns are low

Harvest tax revenue where receipts are high

For projects financed with 50% CABL / 50% Equity, and assuming:

- US Avg. Return on Debt: 4.0%
- US Avg. Return on Equity: 13.6%

Then:

340% more tax revenue on equity than tax expense on CABL debt

Could raise tax revenues if investment shifts from MLP-ITC-PTC

US Legislation: Clean Free Market Act (CFMA):

Authorizes 6-Year pilot program.

Allows CABLs for clean infrastructure projects already identified in U.S. tax code

Provides a process for DOE, Treasury & public to suggest improvement over time.

Automatic step-down:

- Projects initiated in Year 1 - 2, may use CABLs to finance 75% of Total Project Costs
- Projects initiated in Year 3 - 4, may use CABLs to finance 60% of Total Project Costs
- Projects initiated in Year 5 - 6, may use CABLs to finance 45% of Total Project Costs

Gives an advantage to private over public clean infrastructure developers

Incentivizes competition, innovation, participation

Creates a national clean free market with large capital flows across state borders

International Clean Free Market Act: CFMA Plus Tax Reciprocity

- Plug-and-play legislation any state or nation could unilaterally enact
- Kickstarts a global clean free market with low taxes, no tariffs for clean enterprise
- Allows tax reciprocity for CABLs among all countries that enact a uniform CFMA
- Developers in any participating country can finance with CABLs
- Tax exempt to investors in EVERY participating country
- Would create huge tax-advantaged international capital flows benefiting all nations
- Creates an large incentive to join the CFMA, open markets, allow competition
- Global clean free market would offer the best possible incentive for innovation
- International CFMA create a powerful incentive for greater FREEDOM
- Perfect policy for post-Brexit UK: free trade & capital flows & climate action

Conclusions / Next Steps to Glasgow COP 26

RARE Opportunity for International Political Cooperation & Think Tank Action

Free-market, pro-environment approach builds consensus

Climate & Freedom movement think tanks can build support for CFMA with national leaders

Clean tax cuts & clean free markets policies offer big opportunities for policy innovation

Comments, questions and collaboration welcome!

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How Did We Get Here?

Working together using Charrette Process

Collaborative Policy Development

1st Charrette - Columbia University, Climate Week 2016



CLEAN TAX CUTS: First Charrette, Sept. 23, 2016 | Sabin Center for Climate Change Law, Columbia University

(l-r) Bottom row: Michael Gerrard, Salley Jewel Coxe, Catrina Rorke, Scott Nystrom, Krae Van Sickle, Amory Lovins, Dave Wilson

Second row: Justin Gundlach, David Parham, David Levine, Dieter Von Lehsten, Hutch Hutchinson, Doug Koplow, Clay Stranger, Michael Kinsley

Back row: Rod Richardson, Chip Comins, Henk Rogers, Steve Nadel

Charrette Process - Expert Level Sector Meetings, 2017

Reviewed applicability of CTC in various sectors

All-day meetings, followed by discussion and a report, combined into current Proposal.

- **Bond Financing:** New York, @ Columbia University
- **Real Estate:** Washington, @ ACEEE
- **Power:** Aspen, CO, @ American Renewable Energy Institute
- **Ag / Forestry:** Arlington, VA, @ The Nature Conservancy
- **CleanTech:** Tempe, AZ, @ Arizona State University
- **Oil & Gas:** Boulder, CO, @ University of Colorado w One Step In Foundation
- **Transportation:** Washington, DC, @ Senate Visitor Center w R Street Institute
- **Plastics:** New York City, @ Columbia University w Ocean Recovery Alliance

2nd Meeting - CCLC / NY Launch - CCC, Climate Week 2018



Expansion: Clean Capitalist Coalition (CCC), 2019

Think Tanks, Institutes, Scholars, Businesses, Foundations, Individuals

AEE * ACC * ACEEE * ACCF * AREI * AriSEIA * Christian Coalition * ClearPath * ConservAmerica * Conservative Energy Network * CRES Forum * Earth and Water Law Group * Earth Stewardship Alliance * EarthX * Energy Choice Coalition * Fundación Eléutera * GRF * M.I.T. CEEPR * Ocean Recovery Alliance * Pacific Research Institute * Rainey Center * Reason Foundation

- **More than 300 experts** in Industry, academia, philanthropy and public policy have participated in charrettes co-convened by GRF since 2016.
- **22 Groups** identify as members of the Clean Capitalist Coalition. Join us!

CCC is a collaborative policy fellowship; membership does not imply endorsement of any other member's policy initiative. Visit:

<https://cleancapitalistcoalition.org>



Thank-you
Gracias

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