Recommendations for the Next President

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In my talk at Stanford University on May 6, 2016, I offered several observations and recommendations regarding how the next President of the United States should address climate change. My presentation included the following key points:

1. Climate Change Must be Depoliticized

Climate change clearly is a serious issue that could have a profound effect on everyone in the world. Climate change should not be partisan. Scientific uncertainty should not be used as an excuse for inaction. We should learn from the approach that President Reagan took with regard to concerns that certain chemical releases might be creating a hole in the earth’s ozone layer. Given the stakes involved, President Reagan agreed to move forward with an international initiative, the Montreal Protocol, to reduce ozone-depleting chemicals. He viewed it as an insurance policy. We should take the same approach with climate change.

Similarly, concerns about the sources and impacts of acid rain on lakes and forests in the eastern United States were ultimately addressed in a nonpartisan fashion. Scientific uncertainty did not stand in the way of taking action – led by President George Bush – through a cap-and-trade program with the utility industry that has been very successful.

2. The U.S. Should Adopt a Carbon Tax

As an economist, I believe in the power of the market to address important issues. When goods and services are priced correctly, the market provides opportunities for competition and innovation.

Currently, energy sources that generate greenhouse gases are not priced to account for the true cost of their products. If there’s a form of energy that produces a lot of carbon, we should be paying for that. Accordingly, I believe that the U.S. should put a carbon tax in place to create a level playing field for competition among energy sources. The tax should be revenue neutral in order to avoid a fiscal drag on the economy and to avoid debates over how the money generated is used.

I note that the world is already moving in this direction. More and more businesses are incorporating a carbon price when making their long-term investment plans. The World Bank and the IMF also have joined in advocating a revenue-neutral carbon tax.

3. We Should Continue to Invest Heavily in Clean Energy Research and Development with the Active Participation of the Business Sector

Republicans and Democrats alike are excited by research and advancements being made at places like Stanford and MIT. New breakthroughs such as large-scale electricity storage present important opportunities to scale up clean energy because they address the intermittency issues associated with wind and solar energy and potentially help to protect the integrity of the grid from cyber attack. Stanford
University's highly efficient new power system – Stanford Energy System Innovations (SESI) – exemplifies the type of innovative clean energy solutions of which the private sector is capable.

The business sector needs to be actively involved in both clean energy research and development and in scaling up new energy solutions. The government and universities should not shy away from working with the private sector on energy R&D and deployment.

4. Energy Efficiency Must Play a Key Role

The least expensive and cleanest energy is the energy that you do not use. During the Arab Oil Boycott, when I was the Secretary of Treasury, we learned as a nation how much energy could be saved. In addition, when I led the Bechtel Corporation, we were able to have an immediate, positive impact on reducing our energy use by putting in place common-sense energy efficiency measures.

Professor Jim Sweeney, Director of the Precourt Energy Efficiency Center at Stanford, has written a new book on this subject, *Energy Efficiency: Building a Clean, Secure Economy* (Hoover Press, 2016), that everyone should read.

5. Learning from the States

The Hoover Institution's energy team worked with Senator Jeff Bingaman, Stanford Professor Dan Reicher, and the Steyer-Taylor Center for Energy Policy and Finance on an analysis of energy innovations that are occurring at the state level. We identified a large number of important energy innovations that are under way in both red and blue states. Our states truly are “laboratories of democracy.” We should continue to encourage state-based innovations and help spread the word of their successes so that they may be adopted more broadly. I encourage the next President to review the report that we prepared on this subject, *The State Clean Energy Cookbook: A Dozen Recipes for State Action on Energy Efficiency and Renewable Energy* (Stanford University and Hoover Press, 2014).

6. Governance Issues

The question of how the President should organize his or her administration to effectively address climate change and energy issues is an important one. I believe that the White House should work through well-established processes – such as the National Security Council – when making important policy determinations. The Cabinet needs to be actively involved in policy making, perhaps by bringing together key departmental leaders into an “energy cabinet” that develops strategic directions for the Administration.

When it comes to implementation, I have an old-school view that the President-elect should treat both the White House and the Cabinet as “staff” with a responsibility to execute on policy. In that regard, it is important that the President, the White House, and the Cabinet lean on the career staff to implement policy. Career civil servants are a tremendous resource, and they will be eager to work with the new President, particularly in an exciting and important field like energy.

I also recommend that the next President get the “A” players in the government involved in addressing our nation’s energy and climate change needs. This includes, in particular, the Department of Defense.
In order for the next President to build a strong team to work on these serious issues, the current confirmation process must be repaired. Nominees should not be forced by the Congress to languish, awaiting confirmation for months at a time, but should be given a prompt up-or-down vote.