

How to Fix Climate Policy and Why It Would Help Electricity Markets

By Steven Stoft

Investment in fossil generators is now highly competitive, but investment in renewable generation suffers from exceptionally inefficient regulation. An accepted and predictable carbon price would provide a much needed benchmark. The Kyoto approach provides no such benchmark, which is problematic for regulators and investors alike. Moreover, because that approach relies on national caps it inevitably depends on altruistic “political will,” which is too weak. Committing to a global carbon price solves both problems, and can realign national self-interests towards the common good.