

# Frequently Asked Questions on the Economic Analysis of California Climate Initiatives: An Integrated Approach

## **What are the bottom-line findings of this analysis?**

The bottom-line findings are that market-based approaches to reducing greenhouse gases in California yield the least economic costs. Depending on how California implements its climate legislation, cumulative real costs to the state's economy range from 0.2 percent to 1.2 percent (\$100 billion to \$511 billion) through 2050. In general, costs increase as limits on California's future greenhouse gas become more stringent.

## **Why do all policy approaches have economic costs?**

The reason all policy approaches have economic costs is that the release of carbon dioxide was free before climate policy and all scenarios impose a carbon constrain. This creates an implicit price for carbon dioxide—so many dollars per ton. This carbon price signal flows throughout the economy raising the cost of all goods and services that are produced using fossil fuels.

## **What is EPRI's opinion on the research results?**

EPRI's team of researchers believe the results are scientifically sound and provide new insight to guide regulators as the state weighs its policy options to reduce greenhouse gases. EPRI does not take a position on the best approach to achieving California's existing climate policies; EPRI is an advocate for the availability of comprehensive research for regulators to make an informed decision.

## **Why did EPRI do this analysis?**

EPRI conducted this analysis after identifying a need from regulators and EPRI members to have additional information about the complex economic impacts of greenhouse gas reductions in order to make a fully informed decision.

## **What methodology was used for this analysis?**

EPRI combined two widely-adapted and advanced economic models: the Multi-Region National and the North American Electricity and Environment Model to enable a first look at the economy-wide impacts of specific climate policies, as well as the specific impacts on the electricity sector in detail. The California Environmental Protection Agency and the Air Resources Board are currently using the EPRI modeling tool for climate implementation work.

## **How is this analysis different than others?**

EPRI's analysis encompasses an integrated modeling approach not used in other analyses and a wider set of data on energy and electricity use to provide a more comprehensive result.

**Why were 20 different scenarios selected?**

The range of scenarios were selected as a comprehensive menu of potential paths the state might take when choosing a set of policies to reduce greenhouse gases.

**Does EPRI think one scenario is the best?**

EPRI is a nonprofit research organization that provides critical information to regulators, legislators and electric utilities. The goal of the study and the scenario analysis was to show the state's decision makers the full range of economic possibilities given each policy path, not to advocate for one scenario versus another.

**Who funded this analysis?**

This analysis was funded by EPRI's members, with supplemental funding by Southern California Edison. The cost was approximately \$1.2 million.

**Does that mean EPRI members influenced the results?**

No. All of EPRI's research is conducted independently from members; all facets of the research, including the parameters, assumptions, data points and projections model were assembled independently.

**What are the next steps from this analysis?**

EPRI will be publishing a second and third volume of the report with more detailed information on the results and modeling this summer.

**Contact Information**

For more information, contact the EPRI Customer Assistance Center at 800.313.3774 ([askepri@epri.com](mailto:askepri@epri.com)).

---

June 2007

**Electric Power Research Institute**

3420 Hillview Avenue, Palo Alto, California 94304-1338 • PO Box 10412, Palo Alto, California 94303-0813 USA  
800.313.3774 • 650.855.2121 • [askepri@epri.com](mailto:askepri@epri.com) • [www.epri.com](http://www.epri.com)

© 2007 Electric Power Research Institute (EPRI), Inc. All rights reserved. Electric Power Research Institute and EPRI are registered service marks of the Electric Power Research Institute, Inc.