

Using the Free Market to Move Environmental Policy from Eco-Fads to Science



Todd Myers, director of WPC's Center for the Environment, gave the following address at the Seattle Rotary Luncheon on March 7, 2012.

Key Findings

1. Free-market environmentalists believe you have the freedom to do what you want as long as you take responsibility for the impacts that you cause.
2. Too often, legislators gravitate to policies that seem very simple and that look or feel good, even if the science says they don't actually help.
3. It's not wrong for people to use their disposable income to help the environment. That is a fantastic characteristic of the free market: It give us the prosperity to do the sorts of things about which we care.
4. The value of "green" schools is inherently tied to the image of lawmakers who support them. If they admitted that the schools had failed, those lawmakers would lose a lot of public goodwill.
5. If you give people more options, if you put a price on pollution, they are going to find a way to avoid those prices, and to avoid pollution.

It is a real honor to be here. I have seen a number of friendly faces in the audience and you have been very hospitable. Let me just give you two examples: One, I actually have my master's degree from the University of Washington Jackson School for International Studies, focusing on Russia so I am very pleased with the work that you are doing in that area. And then a lot of people say that combining the term "free market" and "environmentalist" is a little bit like combining Yanni and The B-52s [laughter]. So thank you, KCTS, for making that not seem so weird.

As mentioned, I am standing in for Patrick Moore, one of the founders of Greenpeace. It is a real honor to stand in for him, since unfortunately he can't be here today, as you know. In my handout there is a picture of Patrick sitting on top of a seal from his Greenpeace days, protecting it from somebody that was about to club him. I can't guarantee that is where he is today, but actually he did get called away to speak to the European Parliament. He is standing in for Hans Blix talking about nuclear policy, and it is a real honor for him, as well, to be called at the last minute to go to Brussels.

Since leaving Greenpeace, Patrick remains as committed an environmentalist as he ever was, but he is concerned we have gotten off track, and that environmental policies we follow today are not really helping the environment and do not help the science, and that is the issue that I want to talk about today. But first let me tell you what the heck a free-market environmentalist is.

Free-market environmentalists believe that, as a free society, you have the freedom to do what you want as long as you take responsibility for the impacts that you cause. If you pollute a stream, you need to pay for that or you need to prevent it so that it does not impact the people downstream or the fish. If you do, that it is your responsibility. Often people say, "Well, who cares about the environment?" Well, environmentalists care about the environment, but you know who else cares about the environment? Everybody! Everybody likes to hike, to hunt, to fish, to sail, to live in a state where our natural resources and natural beauty are so much a part of who we are. Everybody agrees on that.

Now frankly, hearing some people who believe in the free market, you would not necessarily know that from the way they talk about the environment. They are afraid that when they say that they care about the environment they are committing themselves to policies they do not necessarily support. And so too often the people on the right come across as if they do not care about the

environment. Now I lecture them all the time that that is nonsense; we all know we care about these things, and let's find a better way to help the environment, and stop saying things that make it sound like we don't.

Let me just give you an example of what that means on the ground. In the case of climate change, we believe that CO₂ is a risk for the environment; that the more CO₂ you put in the atmosphere, the more likely you are to keep heat in the system and increase temperatures over time. If you are causing environmental risk, you need to be responsible for the impacts that causes, and pay for it.

That is why Washington Policy Center, for several years now, has advocated putting a price on carbon and cutting taxes on innovation, so we can encourage people to avoid the environmental risk that is caused by increased CO₂. At the same time we should encourage the innovation necessary to address that problem. That is what being a free-market environmentalist is about: Making people pay for and take responsibility for the costs they cause in the environment, and at the same time recognizing that the creativity each of us has — we all know better ways to reduce the impact that we have than people in Olympia or Washington, D.C. — and harnessing the creativity of everybody in this room and the region is a better way to avoid those impacts, than by trying to do a one-size-fits-all approach.

Unfortunately that is not how we make policy in Washington state, or even Washington, D.C., when it comes to the environment. We too often gravitate to policies that seem very simple, and even worse, we gravitate to policies that make us look good to others, or make us feel good about ourselves, even if the science says that that doesn't actually help.

Let me give you an example. Many of you have heard of the “locavore” movement. A “locavore” is somebody who eats local food. The idea is you reduce what are called “food miles” — the miles that food travels from the producer to your plate — and therefore reduce the environmental impact of the transportation costs.

Now for some people this is not actually enough, and you may have seen the article in *The Seattle Times* last December about a woman who took that even farther. *The Seattle Times* wrote: “Melany Vorass called to say that dinner was trapped in her front yard.... As you might guess, [she] is serious about eating locally. She teaches urban foraging. She raises goats, chickens, bees and worms at her Green Lake house. And she believes she is the only person in Seattle harvesting squirrels for protein.”¹ Thus was born the redneck “locavore” [laughter]. By the way, you might be a redneck “locavore” if you refer to the squirrels in your yard as “free range.”

As good as her intentions are, we can't all eat squirrels. That is not a sustainable way to help the environment. In fact, even focusing on local food can be counterproductive, because transportation costs are a very small percentage of the total energy put into growing food, providing only about 10%. If you focus on the 10% rather than on the 90%, growing the food where it is most appropriate — onions in Walla Walla, potatoes in Idaho — you miss the real opportunities to do more with less. Doing more with less is at the heart of environmentalism and it is at the heart of the free market.

¹ “Dinner gets very local for squirrel-eating Seattleite,” *The Seattle Times*, December 28, 2011. Available at www.seattletimes.nwsourc.com/html/localnews/2017113840_eatingsquirrels29m.html.

Research has shown that if you ship lamb all the way from New Zealand to the U.K., that there is less environmental footprint than there is from raising lamb in the U.K. at a feed lot and serving it right there. That is how powerful this is. Yet the “locavore” movement is growing in popularity among the environmental community because rather than looking at the science, we look at the narrow idea of food miles, which seems very simple, but it is seductively so.

The problem, fundamentally, is green has become trendy. When something becomes trendy, you focus not only on what the impact is, but how it makes you feel — the image that it creates for you. And this is very powerful.

Let me give you the example of the Prius. We all see lots of “Prii” driving around Seattle. A couple of economists wanted to see why people were buying the Prius. They compared how much people were willing to pay for a Prius compared to a Honda Civic hybrid. Now a Honda Civic hybrid looks like a normal Honda Civic, except for a little plate that says “hybrid” on the back. So the economists did research in Washington state and Boulder, Colo. They found people in Washington state were willing to pay \$1,500 more to buy a Prius than a Honda Civic hybrid, even though they are similar in size, power, and interior room — many of the same elements.

So what were they buying? They were buying the distinctive look of a Prius. I have to say that Washington state is not the worst case. In Boulder, Colo., they were willing to pay over \$2,000 for that image. Again what they are focusing on is the image. In fact, when J.D. Power and Associates asked people, “Why do you buy a Prius?” the number-one answer was, “What it says about me.”

Now I don’t begrudge people using their disposable income to do something that helps the environment. I think that is a fantastic characteristic of the free market. It gives us the prosperity that we need to buy those sorts of things that we care about and influence decisions that way.

Whole Foods parking lot is not full because they have the cheapest food; it is full because people care about the environment and they want to use their disposable income in that way, and that is great. But we have to be careful when the decisions we are making are more about the image we are trying to cultivate than about the health of the environment. As a result we see these things lead us astray. Especially in Washington state, we have adopted policies based on image rather than science that are doing more to harm the environment than to help the environment.

Let me just give you two examples. The first is with green building standards. In 2005 Washington state adopted a policy to require all schools in the state to meet green building standards. At the time, the Legislature was told these schools would save 30–50% in energy costs, and that they would actually increase children’s test scores by about 10% [laughter]. I am not making that up.

One of the schools they cited in testifying before the Legislature was Giaudrone Middle School in Tacoma, which they said was already saving about 30%. So I pulled the data. I went down and asked for the utility data, and it was a perfect “apples to apples” comparison because they had actually built two middle schools in Tacoma School District in the same year: Giaudrone with the green standards, and Mason Middle School without the green standards, two schools built the same year in the same school district, so I compared the data. What I found was that Giaudrone, the green school, was actually using 30% more energy per square foot than the non-green school.

I testified before the Legislature that this was the case. The architects who were supporting the bill said, “We understand why that happened; we put in some of the wrong equipment. Next year you are going to see these numbers come around.” In fact, the numbers did get closer. Giaudrone, one year later, was only using 25% more energy per square foot.

This is not unique. We looked at schools across the state: In Spokane, in Lake Washington [School District], in Bellevue, in Seattle, in Bethel School District. And in virtually every case, the green schools were using more energy than newly built non-green schools. In fact, in the Spokane School District, there are three green elementary schools. Lincoln Heights is the best; the ironically named Browne Elementary is actually the best-performing energy school in the district, and it is non-green. It was built in 2002.

Supporters of this legislation said, “There is something going on here; Todd’s numbers — we are not sure that they are accurate.” They sent JLARC, the state’s version of the GAO, to study the schools. On the sheet I put in the middle of your tables, you can see the results. JLARC researchers looked at nine green schools and found that five of the nine schools were worse than average in their school district, not merely worse than the other new schools without the green elements, worse than average — in some cases, worse than decades-old schools.

Lincoln Heights, which is one of the schools in Spokane, was the best performing of the green schools. JLARC figured that it would take 30 years to pay back the initial cost in energy savings. Considering that the average lifespan of a school — before you either have to replace it or significantly remodel it — is 20 years, Lincoln Heights will never make back those costs.

Despite the fact that the data are clear, and that we know green schools are not helping, and especially at a time when schools do not have a heck of a lot of money, has the Legislature changed the policy, both to help schools and the environment? The answer is no. That is because the value of those schools is so inherently tied in to the image of legislators who support green schools, that if they admitted that they had failed, they would lose a lot of public goodwill.

Let me give you another example. Washington state is proud to claim it has the greenest prison in the country: Coyote Ridge in Eastern Washington. Part of that claim is based on spending \$880,000 to put solar panels on the top of the prison. I calculated how much energy would be created by those solar panels over their 25-year lifespan. The amount is about \$140,000 worth. So we spent \$880,000 to produce \$140,000 worth of energy over 25 years.

But people say, “Todd, that is fine, but you are not counting the environmental cost.” As I just mentioned, “Free market environmentalists believe CO₂ reduction is important and that there is a value to CO₂ reduction from solar panels.” So I said, “Okay, we’ll calculate that benefit.”

In Europe, where they have a cap and trade system, you can get a permit to emit one ton of CO₂ for about \$20. So you can calculate what the value is of CO₂ reductions by applying that \$20. Over 20 years, the value of the CO₂ reductions from that \$880,000 is \$6,700. In other words, if we had simply spent \$10,000 on carbon credits, instead of spending \$880,000, we could have gotten more CO₂ reductions by either going to the market in Europe or the new cap and trade market they have in California.

That is a waste of money. And a waste of money is a waste of resources, and it is a waste of opportunity to do good things for the environment. When you waste money rather than helping the environment, you are hurting the environment. This is the reason Washington state is failing to reach so many of its environmental goals.

In 2005, [Seattle] Mayor Greg Nickels created the U.S. Conference of Mayors Climate Protection Agreement. The agreement said that all cities who signed up would meet the Kyoto Protocol targets, which is that we would be emitting 7% less CO₂ in Seattle in 2012 (this year) than they did in 1990. These mayors were frustrated the Bush Administration had not signed the Kyoto Protocol and they were going to get a number of cities to show that they could do it.

So, this is 2012, and the question is, has Seattle met the Kyoto targets? The answer is no.

Washington state as a whole, according to the [U.S.] Energy Information Administration, is 10% above the 1990 CO₂ level as of 2009, which is the most recent year they have data. In other words, from 2009 to 2012, we would have to go from 10% above to 7% below to meet the Kyoto targets as a state.

In fact, from 2005 to 2009, Washington state ranked 44th in the country in CO₂ emissions reductions. We actually have a slight increase. Most of the country saw decreases in CO₂ emissions; Washington state was one of the few states to actually see an increase. Despite everything you hear in Washington state and in Seattle that we are trying to do to reduce CO₂ emissions, we are one of the worst emitters in the country. In fact, Seattle officials admitted earlier this year that they are not probably going to meet the Kyoto Protocol targets and are not even really interested in measuring where they stand, because they probably would not like the results.

So why is this? Why is it we are failing even though we talk so much about it? The reason is the policies we are following focus on doing things that do not actually help the environment very much. The Initiative 937 law says we need to increase the amount of renewable energy we use. Here in Seattle we already have zero-carbon energy, and by forcing the city to buy more wind than solar, all we are doing is substituting inexpensive carbon-free nuclear and hydro power for expensive carbon-free wind and solar power. Now, you may have an affinity for wind and solar power, but ultimately they are not helping the environment in this area and by focusing on things like that, we are not doing much for the environment.

The same is true with the Puget Sound Partnership agency. Last year the governor was very frustrated with the Puget Sound Partnership, and actually at a meeting said, "I need you to show me three policies — three projects on the ground — that you are actually going to achieve by the end of 2011." The Partnership had been going for several years and had not been able to actually point to things on the ground that they had accomplished. Those things still have not been accomplished, and now they are already in their second round of multi-year planning. Yet we are spending money on so many different things that are not having an environmental benefit.

So the question is: "Okay, Todd, you're so smart. What is the alternative?" So often we hear the environment won't be protected if government does not do it. My response to that is it reminds me of the old Chinese proverb that says, "The

man who says it can't be done should get out of the way of the woman who's doing it."

Many of the greatest things we see in environmental improvement are actually already coming from the free market. I talked about hybrids. I actually like the Prius, because we have three automobile technologies that are supposed to help the environment: Hybrids, electric cars and hydrogen vehicles. Hybrids — the one that are popular today — is the one that came out of the free market. Toyota and Honda saw an opportunity in the 1990s to cater to people who care about the environment and wanted to spend less on gasoline. They took the risk and created hybrid automobiles.

It was not until the early 2000s that politicians saw a good thing and decided to hop on the bandwagon by providing subsidies and mandates to back up hybrid vehicles. Meanwhile we have been trying to create electric vehicles for about two decades now, and they are only now starting to emerge, and even then only in fits and starts. As you may have heard, the Chevy Volt line is shutting down for five weeks because there is not enough demand for electric cars.

Even the fact that electric cars are now emerging is in part due to the free market. The battery technology that made them possible did not come from government research, it came from these [holding up cell phone]. The push to create batteries for cell phones and laptops that were lighter and could last longer has now been transferred to electric cars and made them possible. In fact, there are some hobby electric cars that are powered by nothing more than a bunch of laptop batteries hooked together. That is where the battery technology has come from, and technology is what is really going to drive environmental improvement.

Forcing people to change their patterns and the way that they live is very difficult and people do not want to do it. But if you give people more options, if you put a price on pollution, they are going to find a way to avoid those prices, and to avoid pollution. That is why over the last 30 years, the United States has reduced the energy amount consumed per GDP by 50%. It was not because government told them to do that. It is because people do not want to spend money on energy when they don't have to. They would rather have that money, put it in their pocket, take their family out to dinner, to a movie, and they are very clever in finding ways to do that. That is the power of the free market, and we need to do more to harness that.

That is why Patrick Moore has become frustrated with the traditional environmental movement, because rather than harnessing market creativity, we too often focus on policies that don't help. It is why John Charles, who is Dann [Mead Smith's] counterpart in Portland, who was for 15 years head of the Oregon Environmental Council, is now a free-market environmentalist like me. It is why so many other environmentalists have become frustrated with government policies, because we are not seeing the promised results for the money we put in. We all care about the environment. But it is time to move away from trendy environmentalism and go in a different path.

Much like Rotary's motto "Service above self," we need to start putting the environment above self image and stop worrying about what being trendy and green means to me and make sure we are following the science and economic facts. That is the heart of free-market environmentalism. Thank you very much for having me here.



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