TRANSCRIPT
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Guest: Daniel Esty
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Daniel Esty: So, I'm excited about having a commitment across the administration to good science, good data, good analysis. And, frankly, the elevation of the White House Science Advisor to Cabinet-level status is a signal of that, and an important one, that is a promise really across America that science is back and we're going to build on the best evidence we can establish, and drive policy from there.

Robert Stavins: Welcome to Environmental Insights, a podcast from the Harvard Environmental Economics Program. I'm your host, Rob Stavins, a professor here at the Harvard Kennedy School and director of our Environmental Economics Program and the Harvard Project on Climate Agreements.

Rob Stavins: On January 20th, Joe Biden was sworn in as the 46th President of the United States along with Kamala Harris as Vice President. Now, changes from one administration to another in the United States are always significant, but sometimes the changes are not so dramatic as when the same political party retains the White House. Although, the last time that happened was the transition in 1988 from Ronald Reagan to George H. W. Bush. But I, for one, do not recall a transfer of power that has represented such dramatic changes in terms of both style and substance as this change from the former Trump Administration to the current Biden Administration.

Rob Stavins: One of the areas, among many others, where this is the case is the realm of environmental energy and natural resource policy, our topic in these podcasts. And, today, we're very fortunate to have with us someone who is exceptionally well qualified to talk about this change, and that's my longtime colleague and friend Daniel Esty, the Hillhouse Professor at Yale University with primary appointments at Yale's Environment School and its law school. Dan, welcome to Environmental Insights.

Daniel Esty: A pleasure to be with you. Thanks for having me.

Rob Stavins: I'm very interested to hear your impressions about environmental policy, given all of your experience as well as your training, thinking both about what we experienced in the Trump years and even more so what we might expect during the Biden years. But before we get into that, our listeners are always interested to find out about you, about how you came to be where you are. So let's start. Where did you grow up?

Daniel Esty: I grew up in Connecticut and in Massachusetts. So I spent elementary school in northwestern Connecticut, and then high school in Concord, Massachusetts.

Rob Stavins: And then you went on to Harvard College not very far away.

Daniel Esty: I went on to Harvard College. I was little bit surprised to end up only 15 miles from my high school in Concord, Massachusetts. But went to Harvard College, and then from there, spent a couple of years in the UK. I was at Oxford, and then ended up at law school back in Connecticut.

Rob Stavins: So you're a very modest fellow. So, first of all, say that at Harvard College, where, by the way, you studied economics I'm pleased to say, you graduated summa cum laude, which is extremely rare at Harvard. It is the cream of the cream that graduate with those honors. And you said you spent some time at Oxford. That was as a Rhodes Scholar, I believe.

Daniel Esty: That's true. All true.

Rob Stavins: And then you were at Yale Law School, received your JD. What was your first job out of law school?

Daniel Esty: I went to work for a Washington DC law firm called Arnold and Porter, and started out doing a lot of regulatory work, including, frankly, a lot of trade regulatory work, international trade work. But did a series of pro bono cases that related to various environmental issues. So I ended up representing a consortium of environmental groups, and it was a good way for a young lawyer to get himself into court, which otherwise in the paid cases would be the senior partners.

Daniel Esty: But I ended up arguing a couple of cases in federal court on a series of matters related to efforts to stop whaling, and to have the United States government impose sanctions on Iceland and Japan that were continuing to whale in violation of international agreements.

Rob Stavins: That's interesting. So it was your pro bono work that actually moved you into environment.

Daniel Esty: Exactly. In fact, what happened was I had in this consortium of environmental groups the World Wildlife Fund, then run by a guy named Bill Reilly. And when he was named head of the EPA, he asked me if I would join him as his special assistant, and that's how I ended up jumping out of the practice of law, frankly, never to return, and went off into the US Environmental Protection Agency.

Rob Stavins: Now, did you go also to the Peterson Institute for International Economics after that, before that?

Daniel Esty: I did. I came out of government in 1993 and was awarded an International Affairs Fellowship from the Council on Foreign Relations, so I had some funding. And, at the time, Fred Bergsten ran that Peterson Institute, and he invited me to make that my home and my platform, and it worked out very well. I was able to produce my first big written project, my first book called *Greening the GATT*, and it set me off on a track that I've never turned back from, which is really thinking about environmental problems from a policy perspective, and trying to argue for new ways to look at some of the challenges that we continue to face, quite frankly.

Rob Stavins: So it must be that when you were at EPA during the George H. W. Bush administration and that is when you and I first met, because that's when I was doing work with Senators Wirth and the late Senator John Heinz at Project 88, and I was spending a lot of time at the White House and over at EPA.

Daniel Esty: That's exactly right. I remember distinctly having not thought so much about this idea of economic instruments and a different kind of approach to regulation moving beyond the traditional command and control, but you had really done a great deal with Senators Wirth and Heinz to sharpen the focus on those alternative pathways. And, I have to say, I learned from you then and continue to learn from you now, and I continue to believe that there's lots of opportunities to do environmental protection in new and different and better ways. And really moving beyond the command and control era that launched America on its environmental efforts in the late sixties and into the seventies, and, frankly, continue to provide important support for our push.

Daniel Esty: But I do think there's been a growing evidence that's other tools, including information strategies and, frankly, economic incentives more directly would be helpful as we try to get done some of the big changes that we now know we need to do, most notably the de-carbonization of our economy to respond to climate change.

Rob Stavins: Now from the Peterson Institute, just to wrap this up, we don't want to leave off the fact that then you went and joined the faculty at Yale, is that right?

Daniel Esty: Yes. So, on the basis of that *Greening the GATT* book, which was sort of the first big push to say that the promise of international trade would not be realized if you under-attended to issues of environmental harm that might also be a happening at the same moment, I got a call from Yale, from the Dean of the Yale Law School, the famous Guido Calabresi, saying that a position had been created joint between the law school and the environment school, and would I be interested.

Rob Stavins: Perfectly suited for you, and you're perfectly suited for it. Before we turn to policy, which I want to do, one thing I'll add to your sterling resume is that we are both long-time proud members of the Board of Directors of Resources for the Future, the Washington think tank.

Daniel Esty: And that is a place that you and I get to see each other a couple of times a year, at least in non-pandemic times, and I think we both find that extremely valuable as a way to both contribute some of our own thinking and emerging push for new ways to approach problems, but also to learn from each other and from an outstanding board. It really represents the best of what think tanks can be, and, frankly, in the environmental arena should be.

Rob Stavins: Yeah, I thoroughly agree with you.

Rob Stavins: So, you really have brought a superb background to the issues we're here to discuss, so let's turn to the situation in which we find ourselves, the change from the Trump Administration to the Biden Administration. I don't recall precisely, but I'm guessing that you were rather critical of a number of the Trump Administration's moves in the environmental realm. Can you say anything positive about that administration's actions in the environmental and energy realm, or is that too challenging to think about?

Daniel Esty: As you are quite right in suggesting, I found a good bit of what the Trump team did to be really very much steps backward across a range of issues that I care about. And I do think if anything could be said, perhaps it is that it reminded those of us who care about environmental protection that we need to demonstrate why the things we're doing matter. Because I think it was surprisingly easy for Trump to make an argument that somehow we didn't need protection from environmental harms, we didn't need action on climate change, and that so many people seem to think that was a reasonable suggestion was distressing to me.

Daniel Esty: And I think for all of us who care about the issues of climate change, and of air pollution and water quality, it was a big reminder that we needed to be more careful, we needed to be more rigorous, and really sharpen our thinking and present a case to the public, not just to the policy world, that was compelling.

Rob Stavins: Yeah, it's striking that not only was the Trump Administration representing a tremendous departure in many policy realms from the previous Obama Administration, which isn't, I suppose, terribly surprising given the change of party, but a tremendous change from the George W. Bush Administration, let alone the George H. W. Bush Administration, which were the latter being much more moderate. And even the George W. Bush Administration not being as retrograde and extreme on environmental matters as the Trump years were.

Daniel Esty: Well, I think that is one of the most distressing things about the unfolding of policy over the last several decades. And I do think we saw it on display in the course of the handover on January 20th from Trump to President Biden, where you had the three former presidents, including W. Bush, along with Obama and Clinton, doing events together, celebrating what is the great tradition of the passing of the mantle of leadership in America, and President Trump declined to be present. And I do think that breaking of norms on the way out the door was a

beautiful emblem of four years of norm-breaking that for some of us was deeply distressing.

Daniel Esty: I do think you point out that if we go back, as we should, 30 years to the George H. W. Bush Administration, you also find a moment, now seemingly very distant, when the parties worked together on a number of these issues. And I think there is a hope, but I know that it's a tough moment, that we might get back to a time, perhaps not this year or next, but at some point soon when more of the agenda does move on a bipartisan basis. And that was my formative time in government, and I do think it is enormously valuable if you want to make transformative change happen to do so on a basis that both parties come along.

Daniel Esty: Because as you know, Rob, our political system is structured to make it very hard for one party to do something when another party opposes. So it's extremely tough to do the kind of things that you and I know we need to do in terms of transformation of the energy foundation of our society if one party is perceived to be putting it down the throats of the other. So I very much hope we can, and you and I think about this all the time in our work with Resources for the Future. How could we establish some of the elements that need to be done on a more bipartisan basis?

Rob Stavins: The dramatic change over time, Dan, that you're describing is well quantified, as you well know, by the fact that the Clean Air Act Amendments of 1990 when they passed in the House of Representatives, I think it was something like 94% of Democrats and 92% of Republicans. And then fast forward to the Waxman-Markey legislation in the Obama years focusing on climate change, passed with about 90, 92% of Democrats and something like 4% of Republicans, just a dramatic shift over those years.

Daniel Esty: So, Rob, you've brought me to one of my favorite tests of how people gauge these issues, which your audience can use as a cocktail party, when we ever get back to cocktail parties, trivia question. And that is what was the final vote in the United States Senate on those 1990 Clean Air Act Amendments? And I won't press you, although I bet you're close to the answer if you don't know it precisely. It was 89 to 11, and it was votes breaking off both sides. I think it was five and six, so it was about equal percent Democrat and Republican votes in favor, and it was a different era. But the key, as you're probably hinting at, is that when you have both parties overwhelmingly vote, as they did for that 1990 Clean Air Act, then they're invested in making it work, rather than showing how the other party screwed up.

Daniel Esty: And as a result over the following years, and I was there at the EPA trying to implement this new statute ... But there was a lot we got wrong, which is always the case when you do something big and transformative. But both parties worked to clean it up, and that's what I think we haven't seen in recent years. And that's what I'm hoping President Biden, with his long tradition in the Senate, with his commitment to being a guy that celebrates and doesn't

denigrate compromise, and his willingness to work across party lines, might move us back toward.

Rob Stavins: So, let's get to that. Let's get to the heart of the matter. What will be the impacts of the November election, both the change in the presidency and the changes in the House, and, of course, the US Senate, on the path of environmental policy, including, but not necessarily limited to, climate change policy over the next two to four years? What do you see happening?

Daniel Esty: So, we've already seen a tremendous amount with President Biden's day one executive orders. So, a whole number of things that the Trump team had pulled back in terms of what the Obama position was are pushed the other way again. And I think we see that in most striking terms in rejoining the Paris 2015 Climate Change Agreement. But you also see it in the personnel being appointed. What a big signal of commitment to send John Kerry out as our climate envoy. What an enormously important place to put Gina McCarthy, former head of the EPA, but now as the domestic climate change czar. And it gives meaning to what President Biden has promised will be an all-of-government approach to climate change, and, frankly, to advancing sustainability more generally.

Daniel Esty: And I think the appointees across government are signals of the commitment to a sustainability priority and to climate change at the front of that list. But Michael Regan at the EPA, Jennifer Granholm at the Department of Energy, and even people like Janet Yellen at Treasury are already being highlighted for their commitments to action on climate change. Although, of course, Janet Yellen's primary role is in the realm of finance and the Treasury Department, and Pete Buttigieg at the Department of Transportation. Again, highlighting not just the building of roads, but thinking about how all of the infrastructure investments we need to make can be re-geared around a move towards a low carbon future.

Rob Stavins: Janet Yellen had a long history previously in government of, although she was in financial roles, such as at CEA, of deep involvement and very greatly interested in climate change policy. I've heard this repeatedly from my colleague and friend who you know well, Joe Aldy, who worked with her at the time.

Daniel Esty: I think, in fact, and this is something that we might celebrate is that for any of these cabinet roles, there are a number of contenders at the very last stage, and I think Janet Yellen was picked in part because she was able to demonstrate that she knew the basic brief of the Treasury Department, but also had great sensitivity and past leadership on climate change, and a real understanding of what it would take to move America towards a more sustainable future.

Rob Stavins: And you mentioned John Kerry. His appointment strikes me as just perfect for what's needed, because, typically, the head of the negotiating team for the United Nations Framework Convention on Climate Change is someone who has to really be in the weeds. Someone like Todd Stern in previous years on the Obama administration was ideal for that. But we now have the Paris Agreement negotiated. What's needed are really diplomatic skills, someone that can go

one-on-one not just with the heads of other negotiating teams, but with the ministers of environment, the ministers of finance, even the heads of state of other governments. And for that, John Kerry, former Secretary of State and former senator, of course, strikes me as absolutely ideal.

Daniel Esty: I agree with you, and I think what you see with that pick is somebody who can work the politics of this issue, and, frankly, can work those politics internationally, where there's a big ambition to have the world community go to Glasgow and the conference of the parties to the 1992 Framework Convention on Climate Change. That's the official name of that annual gathering. And, of course, put off in 2020 as a result of the pandemic, but there'll be a big push as we approach that November gathering in Scotland to really have countries demonstrate renewed commitment and increased ambition to speed up the pace at which de-carbonization takes place.

Daniel Esty: And that's not a matter of technical details. We're not going to renegotiate the Paris agreement, but I think John Kerry is the one who could say, the US is back in this agreement, serious of purpose in terms of its own strategy for emissions reduction, and he will be able to tell that story with conviction to the leaders across the world. I think he'll tell it to people who may not want to hear it fully in some cases, but I think he will do so with clarity. And he'll also be able to bring the story back home, having spent many years in the United States Senate, and talk through why it makes sense for us to take action internationally and domestically, which is always, of course, what's required for real success.

Rob Stavins: Now, you mentioned Gina McCarthy. That appointment also strikes me as ideal, and I say that because submitting the papers on inauguration day to rejoin the Paris Agreement, and then that happening as a will on February 19th, that's the easy part. The hard part, of course, is coming up with a new nationally determined contribution, a quote-unquote "pledge" of what the US will actually do. Something that's sufficiently ambitious to satisfy some domestic green groups, and sufficiently ambitious to satisfy some of our allies, but also credible to be achievable with reasonably anticipated policy actions. My understanding is that Gina McCarthy's job is going to be to try to coordinate that across the entire government.

Daniel Esty: Exactly right, and I think she is going to be good at corralling the different parts of the government. I think they've identified 15 different departments and independent authorities that need to play some role on this. And Gina's going to be out there every day saying, "Okay, EPA, what are you doing?" And then the next minute, she'll be on the phone with Pete Buttigieg saying, "Here's what we'll need from the Department of Transportation," and I do think that's going to be quite critical.

Daniel Esty: And, frankly, Rob, one of the things that I think you and I are going to celebrate in the coming weeks and months is the shift in the debate from whether we need to decarbonize to how to do it. And this is something, of course, our colleagues at Resources for the Future have been thinking about. I, myself, have

been working with a group of almost a hundred scholars across the country to create something called the Zero Carbon Action Plan, and it lays out pathways that America might follow to get to net zero greenhouse gas emissions by 2050, and does so at a relatively granular way, looking at six different sectors with economic modeling of what it would take in the way of investments, and what we can expect in the way of job effects and economic growth effects. And I think getting into that detail and really starting to work on what's required is what is going to be very exciting.

Daniel Esty: And, again, I think there's a good team now in place to help move that discussion forward.

Rob Stavins: And you use the word "celebrate." I think it's really the right word, because more broadly than for climate change, whether we're talking about climate change, we're talking about addressing this terrible pandemic. We now once again have in place an administrative team that listens to science, that goes on the basis of evidence, that respects expertise. That's important, not just for climate change or COVID. It's important for a healthy democracy.

Daniel Esty: Absolutely essential. If you aren't dealing with the facts, you are going to be caught out eventually. And I think America has suffered terribly by having an administration that, from its first day, thought that they existed in a fact-free zone, and that has disserved our country enormously, short, middle, and long-term.

Daniel Esty: So I'm excited about having a commitment across the administration to good science, good data, good analysis. And, frankly, the elevation of the White House Science Advisor to Cabinet-level status is a signal of that, and an important one, that is a promise really across America that science is back, and we're going to build on the best evidence we can establish, and drive policy from there.

Rob Stavins: So many of our listeners to this podcast are in other parts of the world, and, although they may be aware that we now have a new administration, that the administration's party, the Democratic party, controls both the House and the Senate, they may not be aware of the specific issue that it's a one-vote majority in the Senate. And for various reasons, a 60 to 48, 10 vote margin, is nowadays required for passing significant legislation.

Rob Stavins: So I'm interested in your thoughts. If you want to comment on that, or on budget reconciliation measures, or whatever, what's your thinking, Dan, in terms of the possibilities of major climate legislation over the next two years, let's say.

Daniel Esty: So, Rob, I would say your analysis is, if anything, too kind to the Democrats. It's really a 50/50 Senate split between the Democrats and Republicans, and among the 50 on the Democratic side are several senators, led by Joe Manchin of West

Virginia, who have indicated some degree in the past of skepticism about climate change policies that would be burdensome to the constituencies they represent. And Joe Manchin is not alone. We've got two new senators, one just elected from Arizona, both of whom also have signaled some hesitation.

Daniel Esty: So it's going to require real leadership, and that's where, again, I'm actually quite optimistic that Joe Biden is going to rise to the moment. And I do think the Obama Administration had a very powerful majority early on and was unable to get that Waxman-Markey bill through the Senate. In fact, it was never even voted on.

Rob Stavins: Even though they controlled 59 votes. 57 Democrats and two Independents who caucused.

Daniel Esty: You would have thought had the ability to do it. What it says to me, and this is where the work that you and I do is so important ... It says that the policy framework being advanced wasn't the right one, and I thought at the time that the legislation proposed had a complexity to it that might unravel, and I think as time passed, it became very hard to sell the story of that pathway to de-carbonization to the senators representing coal states, some of whom were Democrats.

Daniel Esty: So, I think we're going to need to see a new toolbox, a new set of approaches to the strategy of moving to clean energy, and I'm excited about that because I think it offers the promise, not the certainty, but the possibility of bringing together a broader coalition across party lines.

Rob Stavins: So, given the challenges in the US Senate over the next two years, until there will be another set of elections, of course, if it is the case that major explicit climate legislation, President Biden's $2 trillion over four years, for example. If that proves infeasible, what do you think about the possibility of including some green aspects, some climate aspects, either in the economic stimulus package, which will surely be forthcoming, and/or in an infrastructure bill, which does seem to have bipartisan support?

Daniel Esty: I expect you're going to see the major opportunities for legislative action come in exactly those two places. So I think there will be an infrastructure bill. I think there will be significant elements of it designed to lay the foundation for the transition to a clean energy economy of the future, and I expect it will have things like a build-out of charging stations to make it easier for electric vehicles to take root in America. I think it'll have a commitment to bike lanes and to walkability investments in our urban areas.

Daniel Esty: I think, by the way, it will also include significant commitments of resources to really get at the racial disparities that arise in terms of pollution exposure. And I do think there will be some of this as well in the economic stimulus.

Daniel Esty: And so I'm hopeful that you're going to see some aspects of the environmental agenda move by legislation, but I would tell you that I'm also excited about the potential for further action within the existing authority that the executive branch has, and I'll just give you one big example that I think is potentially significant, and that's the possibility of having the new administration, especially a new Securities and Exchange Commission, require some number, some framework, of mandatory reporting by public companies on sustainability performance. What's sometimes called the environment's social governance structure.

Daniel Esty: And that's a topic that I've been working on, and I think it has great potential. If the private companies of the world have to tell us how they're doing on these issues, and there is an ability with that information for investors to either put money into the companies that they feel aligned with or pull it back from ones that they believe are holding us back from a sustainable future. I think that can provide a significant, non-regulatory incentive for change behavior.

Rob Stavins: Which would move corporate governance in the United States closer to the nature and some of the specifics of the corporate governance structure in the European Union.

Daniel Esty: I think so. And, of course, this whole idea of sustainability reporting is further ahead in Europe. We can anticipate in the first quarter of 2021, the next couple of months, a new European Union ESG disclosure directive coming out from the European Commission. And, again, this is a topic I've been working on. I've just brought out a new book published a couple of months ago by Palgrave McMillan called *Values at Work: Sustainable Investing and ESG Reporting*. And I think in there, for those of your listeners who are interested, you can dig into some of the details about how this is going to work, some of the challenges, but also the potential for this really becoming a significant point of leverage for moving society towards a greater focus on sustainability.

Rob Stavins: With that, I'm going to have to bring it to a close because we've run out of time. We could have gone down and I would have enjoyed it for two hours more, although I'm sure you have other things to do, Dan. But let me just thank you again for having taken time to join us today.

Daniel Esty: Rob, my pleasure, and thank you for bringing the issues you bring to that audience, and helping make sure that we've got a wider set of folks across our country and around the world who are really digging into these issues with a firm foundation of solid analytics, good information, and the best data available.

Rob Stavins: Well, that's much, much appreciated. So thanks again to our guest today, Daniel Esty, the Hillhouse Professor at Yale University with appointments both at Yale's Environment School and its Law School.

Rob Stavins: Please join us for the next episode of Environmental Insights: Conversations on Policy and Practice from the Harvard Environmental Economics Program. I'm your host, Rob Stavins. Thanks for listening.

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