

Regulatory means and environmental ends

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finding the ways that work

Multiple market failures, multiple instruments

1. CO2 emissions (negative externality)
2. Innovation and learning-by-doing (positive spillover)
3. Network effects (coordination problem)
4. Consumer decision making (information asymmetries)

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1. Matching means to ends

- RES/RPS: Neither necessary nor sufficient
- Is real-time pricing green? Why should it be?
- Need a cap/price on carbon

1. Matching means to ends
2. New markets, new market failures?
 - Cautionary example: CA elec market and RECLAIM
 - How to regulate carbon as a financial market?

1. Matching means to ends
2. New markets, new market failures?
3. Operating in a second- (or third-) best world
 - $P \neq MC$ to begin with
 - Capital bias in regulated electricity markets

1. Matching means to ends
2. New markets, new market failures?
3. Operating in a second- (or third-) best world
4. Understanding decision-making behavior
 - Principal-agent issues
 - Implicit discount rates
 - Marginal price vs. total cost
 - What role for technology?

1. Matching means to ends
2. New markets, new market failures?
3. Operating in a second- (or third-) best world
4. Understanding decision-making behavior
5. Political and institutional constraints
 - Limited attention in a sea of issues
 - Setbacks have lasting consequences
 - Importance of getting the framework right