HKS Case 2147.2
February 18, 2019

Negotiating an Energy Bill
Teaching Plan

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This teaching plan was written by Kessely Hong, Lecturer in Public Policy, and Thomas H. Sander at the John F. Kennedy School of Government, Harvard University (HKS) as part of the Harvard Kennedy School's "Teaching Legislative Negotiation Project." Funding for this simulation was provided by The William and Flora Hewlett Foundation. HKS simulations are developed solely as the basis for class discussion; they are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Exercise Overview

The "Negotiating an Energy Bill" simulation is a 1-on-1 scored negotiation between two US Senators (one in the Majority, one in the Minority) serving on the Senate Energy and Natural Resources Committee. They are meeting regarding pre-floor consideration of an energy bill. The purpose of the simulation is to consider ways to create value in negotiation through trading on differences in priorities.

Legislative Context

Following recent mid-term elections, control of the Senate has narrowly flipped from the Republicans to the Democrats. The new Democrat Committee Chair of the Energy and Natural Resources Committee (Sen. Adams) wants to demonstrate leadership by passing an energy policy bill. Committee hearings have already been held on relevant issues, and agreements on some less contentious areas have been reached.

There are six remaining issues which need to be negotiated before a policy bill is presented to the committee. These issues are: nuclear power, addressing climate change, offshore drilling, investment in renewable energy sources, funding offsets, and safeguarding the electric grid. The Committee Chair (Sen. Adams) is keen to have bipartisan sponsorship of this bill, and therefore needs the support of the ranking Republican Committee Member (Sen. Brown). These two Senators are meeting to negotiate an agreement on the remaining six issues to present to the full Committee.

The negotiators do not know what the preferences are of their negotiating counterpart. For some issues, the parties' interests are directly opposed, while on other issues they have hidden shared interests (not on their first choice, but on their second choice for that issue): for example, they are both concerned about protecting against threats to national security vis-à-vis the energy grid. In addition, there are issues which hold a higher relative priority for one party than the other. In order to reach a win-win agreement, the parties cannot simply split each issue in half, but rather must work to create a workable package by discovering wise tradeoffs.

The exercise is designed to get participants thinking about ***shared***, ***tradeable*** and ***opposed*** interests: shared interests are ones where parties can both achieve good outcomes. On the issues where parties have diverging interests, these interests become "tradeable" if one cares about these issues less than one's opponent and can extract a concession of greater value to you than the cost of trading away this issue. Issues on which views diverge and both parties care deeply about the outcomes are "opposed" and unlikely to be the source of profitable trades because the price for concessions is too high.

Roles

- Senator Avery Adams, Majority (D) (may be accompanied by a staffer)
- Senator Baylor Brown, Minority (R) (may be accompanied by a staffer)

Scoring System

This simulation is scoreable, meaning that each potential option for each of the issues under negotiation has been assigned a numerical score. The scores are unique to each role, and are intended to summarize the complex net value each option represents for each role. The purpose of using a scoring system as a teaching tool is twofold: (1) to allow participants to quickly sense their priorities across the different issues and options presented in the simulation, so that they are able to make wise tradeoffs while negotiating; and (2) to ensure participants understand the overall value to their role of a package deal, so that they are not pressured into accepting a "bad deal" worth less to them than their best alternative. (In actual legislative negotiations, there may be times where attaching an implicit point system to various outcomes may help legislators or their aides to think in advance about their intensities of preferences: not what their ideal outcome is for each issue but quantifying how much more they care about issue A than issue B or issue C.) The scores are also useful in debriefing since the scores enable participants to objectively and quantitatively assess how good a job they did of achieving value and allow them to compare the deal they reached to other possible outcomes.

Negotiation Lessons

- Preparation: understand one's own priorities, develop a target (overall goal for the entire deal) and walkaway point, and anticipate other side's likely priorities and walkaway point. Consider different possible packages (combinations of options across issues) that might meet one's own interests to enable some flexibility.
- Process: greater flexibility yielded by negotiating sets of issues or packages instead of negotiating one issue at a time.
- Trust and information sharing: sharing information incrementally and reciprocally to enable wise tradeoffs; asking open questions to avoid confirmation bias; openness to revising prior assumptions in the face of new information.
- Value creation: leveraging differences in priorities and expectations to "create value" through making wise tradeoffs, and discovering and building on shared interests.
- Enabling internal credibility: looking for ways to give each party a "win" in the package that can be used to convince internal constituents (or fellow party members) to lend their support.

Mechanics and Procedure

Time required

Instructors should allot 140-230 minutes overall, as follows:

- 40-50 minutes: preparation (preferably pre-class, if preparation time occurs during class then students can be grouped with others who share their role to help each other prepare more thoroughly)
- 10-15 minutes: instructor sets up exercise and reviews distributive vs. integrative negotiation, reviews rules from tips sheet
- 30-45 minutes: negotiation
- 15-60 minutes: helpful to have a break or meal (during which the instructor can analyze the results and graph each group's overall scores on a Pareto graph)
- 45-60 minutes: debrief

Group size

Group size can vary from 2-4 people. The ideal group size is 2 participants, each playing a unique role. If there are an odd number of participants, a third person can be added to a group as a staffer supporting one of the roles. If you want participants to practice working in teams, groups can have 4 people, with 2 participants sharing each role.

Materials to be distributed to students for preparation (pre-negotiation)

- Confidential Instructions for Sen. Adams, Majority (Democrat)—*only give to students assigned to play Sen. Adams*
- Confidential Instructions for Sen. Brown, Minority (Republican)—*only give to students assigned to play Sen. Brown*
- Important Tips for Negotiating an Energy Bill—*give to everyone*
- Preparation Survey—*give to everyone and ask to complete before the negotiation (but not to share with their opposite-role counterpart)*
- Results Survey—*can give to everyone with preparation materials, or can give out one per negotiation group at the start of the negotiation*
- Role and Group List—*Instructor needs to fill in participant names on pairing template, can either give to everyone with preparation materials, or instructor can display prior to the start of the negotiation*

Materials for the instructor only

- Sample slides
- Pairings template—*instructor can enter names and distribute to students*
- Scoring summary
- Graph of all possible positive agreements—*for reference*

- Blank results graph—*instructor should enter results after simulation and display to students during debrief*

Procedure

1. The instructor should pre-assign roles, assigning half of the participants to play Adams and half to play Brown. Use the "Energy Policy Bill Pairings Template", assigning as many pairs as you need for your class. Write in one name for each role for each pair, unless there are an odd number of students in which case one role gets doubled up. (If you want participants to practice working in teams, you can assign four students to each negotiation group, with two sharing each role.)

    a. If you have a good even mix of Republican and Democrats, it can be interesting to assign the first half of groups where Democrats play the Democratic role (Adams) and Republicans play the Republican role (Brown). And then for the last half of the groups you can assign people to the opposite role (so Democrats play Republican Brown and Republicans play the Democrat Adams). You can then see whether those participants are able to achieve better outcomes on average when they are playing a role they agree with than a role they disagree with (see teaching note below on p. 9).

2. Distribute roles before class and ask participants to prepare individually before the negotiation. Each person should receive the tips sheet, the preparation survey, and the results survey; additionally, each person playing Adams should receive the confidential instructions for Adams, and each person playing Brown should get the confidential instructions for Brown. (If advance preparation is impossible, this exercise can be prepared in class in about 40-50 minutes, possibly over breakfast or during a break. If in-class preparation is needed, one may want to allow participants playing the same role to meet together to discuss their priorities. Participants often find it helpful to consult with same-role colleagues to compare strategies and consider other perspectives.)

3. Briefly review single-issue distributive negotiations vs. multi-issue integrative negotiations.

4. In-class: Remind students of the need to select one and only one option for each issue in order to reach an agreement, and hand in a completed copy of the Results Survey at the end of the negotiation. Review the components of the tips sheet. If you have not already done so, display the pairings for participants to learn the identity of their negotiation counterpart(s).

5. Negotiation.

6. Preparation by instructor of the results (while participants have a break). Graph the total net points for each party from the results survey as a large dot on the results graph and label the group number next to each dot. (Note: if any results appear outside the Pareto Frontier, ask participants to check their math).

7. Debrief as a group.

Negotiating an Energy Bill Scoring Summary

Adams (D)	Brown (R)	NUCLEAR POWER (tradable)
-50	40	Refurbish existing facilities and incentivize new nuclear facilities
0	20	Refurbish existing facilities only
50	-30	Increase regulation and monitoring of existing facilities and halt new nuclear facilities
25	-10	Exclude nuclear power from the bill
		ADDRESSING CLIMATE CHANGE (opposed)
300	-50	Support the Paris Climate Agreement, incl. fuel economy standards, strengthen model building codes, & fund response to rising sea levels
250	-30	Institute a carbon tax and fund response to rising sea levels
200	-20	Institute a cap and trade system and fund response to rising sea levels
0	20	Fund response to rising sea levels
-200	50	Exclude climate change from the bill
		OFFSHORE DRILLING (shared)
-200	40	Give increased voice to local communities & institute revenue sharing for states such as Alaska, with an expedited permit process for drilling
175	35	Give increased voice to local communities and institute revenue sharing for states such as Alaska (without expediting the permit process)
200	-40	Implement a “keep it in the ground” policy of severely restricting future oil drilling and exploration
0	-10	Exclude offshore drilling from the bill
		INVESTMENT IN RENEWABLE ENERGY SOURCES (tradable)
150	-10	Invest money in both job training and development programs for both wind and solar energy sources
0	-7	Invest money in job training and development for wind energy sources only
200	-5	Invest money in job training and development for solar energy sources only
25	10	Launch a clean energy challenge
-150	20	Exclude investment in renewable energy sources from the bill
		FUNDING OFFSETS (opposed)
-100	40	Sell off strategic reserves and facilitate the development of new oil fields to replace reserves
-50	-10	Sell off strategic reserves without addressing replacement
200	-20	Reduce subsidies to oil and gas companies
0	-20	Exclude funding offsets from the bill
		SAFEGUARDING THE ELECTRIC GRID (shared)
150	-15	Pass new requirements specifying the technology to be installed by all power-producing firms
125	25	Establish a commission to make recommendations to safeguard the grid, & provide money to states to enact the recommendations
0	30	Establish a commission to make recommendations to safeguard the grid, but do not fund implementation
-50	-10	Exclude safeguarding the electric grid from the bill

Discussion Topics for Setup and Debrief

Discussion Topics for Pre-negotiation Setup

Explanation of the differences between single-issue distributive negotiations and multiple-issue integrative negotiations

It may be helpful to remind students of the differences between single-issue distributive negotiations (fixed pie, tend to emphasize claiming value) and multi-issue integrative negotiations, in which negotiators have the possibility to both expand the pie by making wise tradeoffs as well as try to claim value. (See related slide in HKS 2147.4 PowerPoint presentation.)

In a partisan legislative context, legislators may be trying to prove their loyalty to their constituent base (particularly if they are up for election soon), and usually do not want to be seen by their constituents as being taken advantage of or pandering to the other side. Thus, negotiations may get stuck if they are focused on a single issue which cannot be easily divided and appear to be a "winner-take-all" situation—no one wants to be seen to be the loser. (A real life example from late 2018/early 2019 is the federal government shutdown that resulted because President Trump and Democrats could not agree on whether to include funding for a border wall in the federal budget—neither side wanted to be seen by their constituents as caving in to the other side on the issue of the wall.)

Expanding the scope of negotiation to include multiple issues of importance to the parties can sometimes help facilitate reaching an agreement on a package deal. Negotiators can justify concessions on some issues by pointing to gains in other areas of higher priority to them. (Note that in a legislative context, it is unhelpful to add "toxic" issues which will immediately turn off one of the parties.)

Drawing on terminology from Fisher, Ury, and Patton's *Getting to Yes* (second edition, Penguin Books, 1991), when negotiations are stuck it can be helpful to go beyond fixed "positions" (demands) to try to uncover underlying "interests" to be able to come up with creative "options" to meet the parties' interests in ways that are manageable for the other side.

A proverbial example discussed in *Getting to Yes* is the story of two sisters fighting over an orange. Each insists she needs the orange, and neither wants to give in. Cutting the orange in half seems like an obvious "fair" solution, but results in one sister eating the fruit from her half and discarding the peel, while the other uses the peel to flavor a cake and discards the fruit. Had the sisters shared their differing interests in obtaining the orange, rather than cutting it in half they could have given the first the fruit and the second the peel, and both sisters would have gotten more of something she really valued.

Another example discussed in *Getting to Yes* is the dispute over the Sinai Peninsula between Egypt and Israel, following the 1973 war. The countries were unable to reach an agreement in an apparently fixed-pie negotiation, in which neither side wanted to lose and allow the other to win. You can ask the class "Why do you think the Egyptians wanted the Sinai Peninsula?" (to honor their history and sovereignty) and "Why do you think Israelis wanted the Sinai Peninsula?" (they were concerned about

their security). When US President Jimmy Carter and his team served as mediators, they asked questions to uncover these underlying interests, which led to the signing of a treaty in 1979. The treaty gave the Egyptians the honor of having their flag displayed throughout the peninsula, but also created a demilitarized zone to satisfy Israeli security concerns (and included US foreign aid to Egypt). Although neither party got everything they initially demanded, they both received enough of their priority interest to be willing to agree.

Reminder of key ground rules

Review points on attached handout "Important Tips for Negotiating an Energy Bill" (later in this packet).

Discussion Topics for Post-Negotiation Debrief

(See sample slides (HKS Case Number 2147.4) and use the completed results graph showing the participants' outcomes.)

General themes to discuss (order can be intermingled)

- Preparation and target setting
- Information gathering and sharing
- Creating value through trading on differences in priorities
- Process strategies to enhance value creation
- Balancing the tension between creating and claiming value in long-term relationships
- Negotiating across levels (internally and externally)

We recommend beginning the debrief discussion **before** sharing the results graph with participants, and introducing results later as noted.

You may want to start by congratulating all participants who reached a wise agreement (superior to their reservation value/minimum) and asking how many participants were satisfied with their negotiated outcome. You can follow up by asking whether the results they achieved met or exceeded their target (goal).

If they exceeded their target, ask if their goal was to just exceed their reservation value (minimum) or whether they were very ambitious in trying strongly to satisfy their interests. You can note that negotiators who set very ambitious targets may not always meet them, but often gain more value than negotiators who set very low targets; if you easily exceed your target in a negotiation, it may be a sign that you did not aim high enough.

Ask how many participants cared about the relationship with their counterpart from the opposite political party? Remind participants there is a "hidden" second level to the negotiation, in that their point system reflected their concern with satisfying their internal constituents—Democratic party

leaders in the case of Senator Adams, and the conservative Republican base in the case of Senator Brown. You can show the slide with Putnam's "two-level game" if you like, and explain that Level I is the negotiation between Senators Adams and Brown, and Level II is represented by each party's respective scoring system which measures the value to their party/constituents.

Here it is interesting to see whether participants assigned to represent their own party set more ambitious targets and were more concerned with satisfying their internal constituents than participants assigned to represent the party opposite to their true preference. You may want to discuss the principal-agent conflict, and how principals (for example, legislators) want to be sure to hire staff whose interests align with their own so they will be motivated to be strong advocates.

Mention that negotiators who are very concerned about reaching a deal may be risk-averse, and may feel compelled to be careful about appearing "fair" to their counterpart. One common conception of fairness is to "compromise" or split the value on every issue. **Show the slide with the compromise "split each issue" example deal.** Ask participants if anyone likes this example deal, and if so why? (Common responses may be that it seems fair, and both negotiators are made better off by doing the deal in that they exceed their minimum point requirement.)

Ask if anyone doesn't like this compromise example, and why? (Common responses are that both parties could do better, and it doesn't allow either party to gain more value in areas of high priority and it treats all issues as equally important to both parties).

Show the slide on the issues to negotiate and the ways the parties' interests may be related for each issue. Explain:

- **shared interests** (parties want the same thing, or have a shared first or second preference that is very good for both)—negotiators should be careful not to assume preferences are opposite on every issue, and try not to miss noticing shared interests where an option can be found that would be very good for both sides;
- **opposed interests** (parties have opposite preferences and both care strongly about the issue)—this type of issue is the toughest to resolve, and often requires other issues to be bundled together with this issue in order to find the tradeoffs necessary to induce one of the parties to make a sacrifice;
- **tradable interests** (parties have opposite preferences, but the issue is a much higher priority for one party than the other).

If you want, you can note that the issues of offshore drilling and safeguarding the electric grid involve hidden shared interests, in that for both issues the parties share a (very good) second choice. Congratulate negotiation groups which discovered these shared interests. Investment in renewable energy sources and nuclear power are tradable issues—Senator Adams cares much more than Senator Brown about renewable energy sources, and Senator Brown cares much more than Senator Adams about nuclear power—it could make sense to trade Brown's preferred option for nuclear power for Adams' preferred option for renewable energy sources. Finally, the parties' interests are strongly

opposed for funding offsets and addressing climate change, so these issues may be more challenging to resolve.

Show the slide comparing the compromise "split each issue" example (in yellow) **with the "priority trades" example** (in pink). (You may wish to note this is not a "perfect" outcome but just one of many possible deal packages that leverage tradeoffs across priorities.) Ask students for their observations (common responses include that both parties receive much more value in the "priority trades" example than the "split each issue" example).

Show the completed results graph and explain the concept of the Pareto Frontier (see slides). Remind participants that they cannot compare points across negotiators (Adams and Brown) because each negotiator's points are on a different scale.

Ask participants who achieved agreements on or near the Pareto Frontier what preparation strategies and what process strategies were most helpful in allowing them to create value. Ask participants who achieved agreements far from the Pareto Frontier what was helpful about their process and preparation, and what they would change (see summary slide for helpful strategies). Ask participants what kinds of information is generally helpful to share (it is crucial to share some interests and priorities to be able to figure out wise tradeoffs, and risk in sharing information can be reduced by sharing reciprocally); also ask participants what kinds of information they generally do not want to share (for example, their reservation value).

Many people see a tension between **claiming** and **creating** value in negotiation. You can wrap up by reminding participants that moving **northeast** toward the Pareto Frontier represents growing the pie, or creating value, whereas moving along the Pareto Frontier (or southeast) represents distributing or claiming value. As long as there is a positive zone of agreement, when negotiators engage in interest-based integrative negotiation and make wise tradeoffs, it is possible to both advocate for their own interests **and also** show empathy for the other side to reach an agreement that both parties can sustain (see slide on Keith Allred's "dual concerns" model).

We suggest finishing with the slide on "Process strategies to enhance creating (and claiming) value" to summarize take-away lessons.

You might draw specific attention to "**Post-settlement settlements**" (Howard Raiffa, *Negotiation Journal*, Jan. 1985, pp. 9-12). In the Energy Policy simulation, as in many negotiations, the outcome reached is rarely at the Pareto frontier. In such cases, by definition, one or both parties could do better without harming the other. It is often useful in negotiations for one negotiator to freeze an apparent agreement and say "I could agree to this reluctantly but I'm unsatisfied with the outcome. Let's explore other options to see if we could both be made better off or I could be made better off without you being any worse off." This frees up the parties to engage in further negotiation to see if the outcome can be improved (what Raiffa calls "post-settlement settlements") without reneging on the tentative agreement reached, since the negotiators revert back to that tentative agreement if they can't improve upon it.

In addition it is worth noting that Energy Policy focuses on **value creation by trading across differences in policy preferences** (the relative importance one negotiator or his/her team assigns to climate change or nuclear power or renewable energy, for example). More broadly in legislative negotiations, there are many other dimensions along which such useful trades can be made to enable wise tradeoffs—a concession you give away that the other negotiator values more highly to receive a concession that you value more than the other negotiator. For example, the negotiators or parties may have differing priorities around: the ***funding source*** (tax deductions vs. tax increases vs. offsetting programmatic cuts); the ***duration of a bill***; whether the ***outcomes are subjected to proof of effectiveness***; ***state vs. federal control of expenditures***; ***differing expectations of the future leading to contingent results***; ***tolerance for risk***; ***time preferences***; etc. When impasses develop in negotiations, it is worth thinking about whether introducing one or more of these dimensions or another helps expand the pie through arbitraging negotiators' or parties' preferences and gets a negotiation unstuck.

Suggested Readings

Any of the following readings can be assigned prior to the exercise to help students consider strategies to create value through interest-based integrative negotiation.

- Leigh Thompson, *The Mind and Heart of the Negotiator* (fourth edition), Prentice Hall 2009, Chapter 4, "Win-Win Negotiation, Expanding the Pie."
- Roger Fisher, William Ury, and Bruce Patton, *Getting to Yes* (second edition), Penguin Books, 1991, Chapter 3, "Focus on Interests, Not Positions."
- Deepak Malhotra and Max Bazerman, *Negotiation Genius*, Bantam, 2008, Chapter 2, "Creating Value in Negotiation."
- David A. Lax and James K. Sebenius, *3-D Negotiation: Powerful Tools to Change the Game in Your Most Important Deals*, Harvard Business School Press, 2006, Chapter 8, "Move Northeast," and Chapter 9, "Dovetail Differences."
- Keith Allred, "Distinguishing Best and Strategic Practices: A Framework for Managing the Dilemma between Claiming and Creating Value," *Negotiation Journal*, Oct 2000.

The slide on "Two-level games" is based on Putnam, R. "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization*, MIT Press, summer 1988, pp. 427-460. Unless participants are very advanced, it is recommended that the instructor summarize the idea of needing to negotiate across multiple levels (justify an agreement made with the other party to one's own party members and constituents) rather than assigning this reading to students.

Negotiating an Energy Bill Negotiation Groups

Group	Senator Avery Adams (D-Washington)	Senator Baylor Brown (R-North Carolina)
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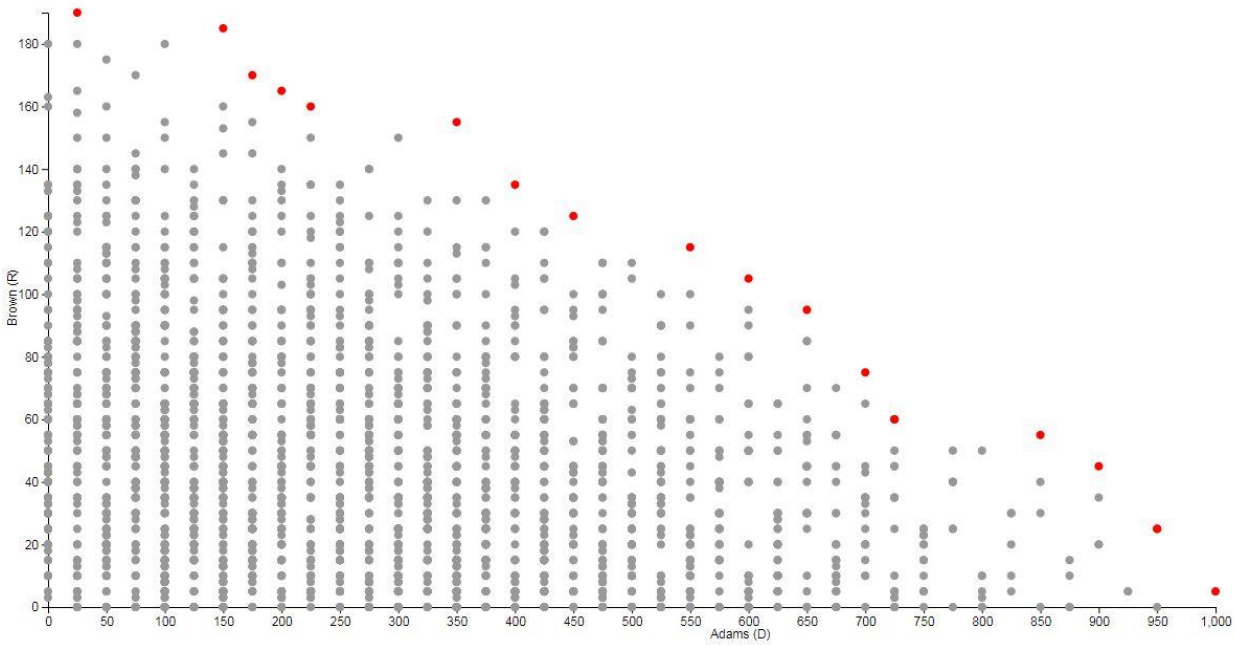
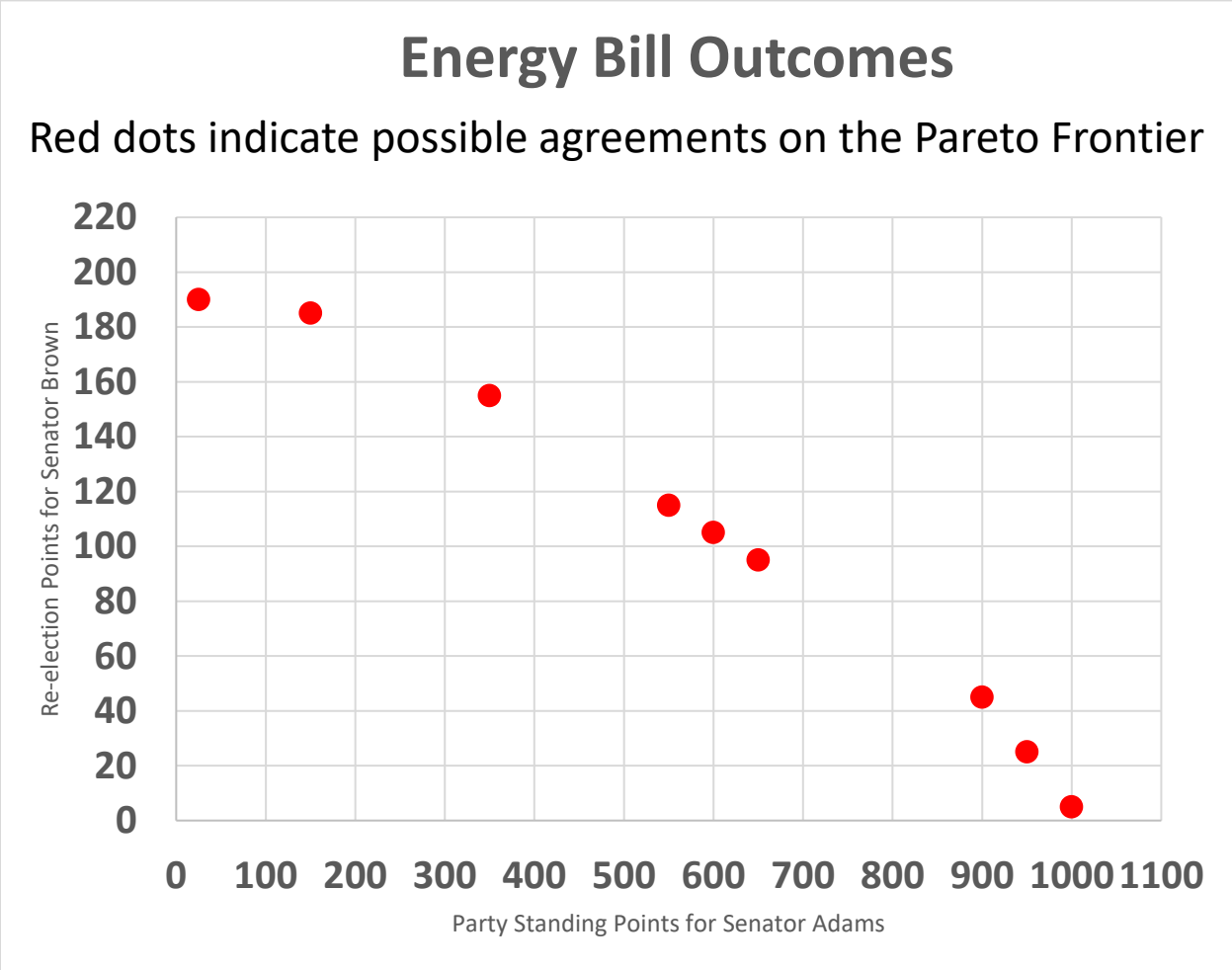
28		

Graph of All Possible Positive Agreements



Created by Caleb Sander, Pareto Efficient Outcomes Marked in Red


Energy Bill Outcomes
Red dots indicate possible agreements on the Pareto Frontier
Re-election Points for Senator Brown
220
200
180
160
140
120
100
80
60
40
20
0
0
100
200
300
400
500
600
700
800
900
1000
1100
Party Standing Points for Senator Adams

Confidential Role Instructions for Avery Adams (Democratic Senator)

You are Avery Adams, a Democrat member of the US Senate from Washington State. Democrats recently took control of the Senate after a contentious midterm election, and you are now the Chairman of the Senate Energy and Natural Resources Committee. You were just re-elected to your third term in the Senate with a fourteen-point lead over your Republican challenger, your largest margin of victory yet. Now that you feel comfortable in your seat, you have your sights set on attaining a position of power within the party leadership structure. In order to advance within the Democrat ranks, you will need to win over both rank and file Senators, as well as impress the current Senate Democrat leadership.

The new Majority Leader, Jordan Jefferson (a Democrat from Arizona), has asked you to work with Baylor Brown, a North Carolina Republican who is the Ranking Member of the Senate Energy and Natural Resources Committee, to draft an energy bill to present to your committee that you think will be able to get through the Senate. Jefferson wants to show voters that with Democrats in power, the Senate is going to be getting things done. However, the Democrat margin in the Senate is slim, so any bill will need some Republican support in order to get the 60 votes necessary to make it through the Senate. A bill will also need Republican support to get through the Republican-controlled House of Representatives. Therefore, it is crucial that you and Brown develop a bill that members of both parties can support. Brown has enough leverage within the Republican party to push through a bill and the Republican President has committed to sign a bipartisan bill supported by both parties. At the same time, you need to make sure that the bill stays progressive enough to appeal to the more liberal members of your party, whose support you will want when you try to advance within the party.

Your staff has consulted with the staff of all other committee members to get a feel for their stances on the issues and has been meeting with Brown's staff regularly over the last few months. Working together, they have ironed out many of the details of the potential bill. However, your staff and Senator Brown's staff have not yet been able to reach agreement on six key issues, for which they want input from you and Senator Brown—your staffs have jointly agreed on the issues to be negotiated and on a list of potential options for each issue. You and Senator Brown need to sit down to negotiate an informal

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agreement on these six issues, in order to create a comprehensive energy bill you are both comfortable bringing to the Energy and Natural Resources Committee (you both recognize the bill may get further marked up in committee). At your request, your staff has helped you create a confidential scoring system so you can assess your priorities across the issues, as well as evaluate different potential options within each issue. The points in the scoring system represent how much you and your staff think each option will help (higher positive points help more), or hurt (increasingly negative points hurt more), your standing within the Democrat party. While you would like this bill to be comprehensive, you could also eliminate any or all of these issues from the bill.

Following are the six issues to be negotiated and your staff's assessment of the potential options associated with each issue. Your goal is to negotiate a bill that will significantly help advance your standing in the Democrat Party. Therefore, you want to achieve as high a net positive point total as possible, while still retaining Brown's support; any bill with a negative total would hurt your standing within the Democrat Party and would be worse than killing the bill. Although you and Brown have both been on the committee for a few years, this will be your first major bill together. Assuming the drafting negotiations go well, you are hoping that the two of you can build a strong partnership over the years to come.

Nuclear Power

This issue is one that Brown personally requested be included in the bill (several nuclear power plants are located in Brown's state of North Carolina). Although you are willing to discuss it, you have several safety concerns about nuclear power and would prefer not to include this issue in the bill. In fact, in an ideal world, you would like to see increased regulation and monitoring of existing nuclear power plants, with a halt on construction of new plants. Alternatively, some of your safety concerns could be addressed by repairing and refurbishing older nuclear facilities to ensure they are in good condition. You imagine Brown is likely to strongly support a plan to both refurbish existing nuclear infrastructure and incentivize the construction of new nuclear power plants. However, many of your Democrat colleagues are wary of investing in nuclear power at the expense of renewables, so you are not enthusiastic about this option.

You and your staff have assigned points to each of the four nuclear power options as follows (positive points increase your standing in the party, negative points decrease your standing in the party):

- Refurbish existing facilities and incentivize new nuclear facilities = -50 points
- Refurbish existing facilities only = 0 points
- Increase regulation and monitoring of existing facilities and halt new nuclear facilities = 50 points
- Exclude nuclear power from the bill = 25 points

Addressing Climate Change

For many Democrats, taking steps to prevent and respond to climate change is the most pressing policy issue facing the country today, particularly in the realm of energy policy. You would like to see the Senate issue a statement in support of the Paris Climate Agreement (the US joined 195 other countries in adopting the agreement by consensus in December 2015, but a subsequent US President later threatened to pull out), and also increase fuel economy standards and strengthen model building codes. You also support both a carbon tax and a cap and trade program, although you know Majority Leader Jefferson prefers a carbon tax so that would be better. Another proposal some other senators from coastal states have been pushing is including increased funding for responding to rising sea levels. Although this alone would not satisfy the more progressive Democrats, it is necessary and would be better than excluding the issue of climate change altogether.

You and your staff have assigned points to each of the five options to address climate change as follows (positive points increase your standing in the party, negative points decrease your standing in the party):

- Support the Paris Climate Agreement, increase fuel economy standards, strengthen model building codes, and fund response to rising sea levels = 300 points
- Institute a carbon tax and fund response to rising sea levels = 250 points
- Institute a cap and trade system and fund response to rising sea levels = 200 points
- Fund response to rising sea levels only = 0 points
- Exclude climate change from the bill = -200 points

Offshore Drilling

For years, Majority Leader Jefferson has been trying to pass a “Keep it in the Ground” bill, limiting all future drilling and exploration for oil. Getting this into the bill with Republican support would assure your future in the Democratic leadership, although you recognize that this would be a tough sell for most Republicans. There has also been talk of finding ways to increase accountability by giving an increased voice to local communities so they would have more say regarding nearby offshore drilling projects; there are also plans to institute revenue sharing so states can profit more from oil taken from within their boundaries or territorial waters. You would be in favor of giving local communities more influence and a share of oil profits. However, you would like to avoid accelerating the permitting process if possible, because you and many Democrat colleagues feel it takes time to conduct a thorough environmental review. You would rather leave the issue of offshore drilling off the table entirely than face Democrat pushback for signing onto expedited permits.

You and your staff have assigned points to each of the four offshore drilling options as follows (positive points increase your standing in the party, negative points decrease your standing in the party):

- Give increased voice to local communities and institute revenue sharing for states such as Alaska, in combination with an expedited permit process for drilling = -200 points
- Give increased voice to local communities and institute revenue sharing for states such as Alaska (without expediting the permit process) = 175 points
- Implement a "keep it in the ground" policy of severely restricting future oil drilling and exploration = 200 points
- Exclude offshore drilling from the bill = 0 points

Investment in Renewable Energy Sources

Securing funding for renewable energy is an important goal for you and you definitely want to see it included in the bill. Although you personally are supportive of investment in both wind and solar, Majority Leader Jefferson has confidentially spoken with you about excluding wind power if possible. Solar energy developers are a powerful player in Jefferson's home state, and securing funding for them, but not for wind developers (particularly if you can make it look like it was a required concession to the Republicans), would put you into Jefferson's good graces. Another proposal supported by some moderate Democrats and Republicans is launching a clean energy challenge, designed as a contest to encourage state and local governments to think creatively; however, many environmentally-conscious Democrat Senators have argued that this is simply not a strong enough statement in support of renewable energy and would not actually do much to achieve clean energy implementation.

You and your staff have assigned points to each of the five options to invest in renewable energy as follows (positive points increase your standing in the party, negative points decrease your standing in the party):

- Invest money in both job training and development programs for both wind and solar energy sources = 150 points
- Invest money in job training and development for wind energy sources only = 0 points
- Invest money in job training and development for solar energy sources only = 200 points
- Launch a clean energy challenge = 25 points
- Exclude investment in renewable energy sources from the bill = -150

Funding Offsets

Funding offsets are often included in bills to help pay for new spending introduced in the bill (offsets can be either new sources of revenue or reductions in existing spending). You know that many provisions in this bill will be costly, so if you can offset spending in a way that does not harm Democrat priorities, you would be pleased. Democrats have called for reducing subsidies to oil and gas companies and you see this as a great tie-in to the overall bill. For their part, Republicans support selling off strategic oil reserves and facilitating the development of new oil fields to replace them. This makes Jefferson and many other Democrats very uncomfortable because of the potential negative environmental impact associated with developing new oil fields. On the other hand, you are not excited

about the national vulnerability associated with selling off strategic reserves and then becoming more dependent on foreign oil.

You and your staff have assigned points to each of the four funding offset options as follows (positive points increase your standing in the party, negative points decrease your standing in the party):

- Sell off strategic reserves and facilitate the development of new oil fields to replace reserves = -100 points
- Sell off strategic reserves without addressing replacement = -50 points
- Reduce subsidies to oil and gas companies = 200 points
- Exclude funding offsets from the bill = 0 points

Safeguarding the Electric Grid

In the wake of recent cyberattacks, you feel it is very important to take steps to protect the electric grid. The best way to go about this clearly seems to be to pass new federal requirements for electricity providers, requiring them to install comprehensive (and compatible) new technology that will better protect this crucial infrastructure. If you cannot get this through, you would consider establishing a commission to study the problem in more depth and make recommendations for next steps, and also providing funding for states to implement those steps (without funding for implementation, you fear that the recommendations will go unheeded). You do not want to omit this issue from the bill because you think establishing the security of the electric grid is too important to ignore.

You and your staff have assigned points to each of the four options to safeguard the electric grid as follows (positive points increase your standing in the party, negative points decrease your standing in the party):

- Pass new requirements specifying the technology to be installed by all power-producing firms = 150 points
- Establish a commission to make recommendations to safeguard the grid, and provide money to states to enact the recommendations = 125 points
- Establish a commission to make recommendations to safeguard the grid, but do not fund implementation = 0 points
- Exclude safeguarding the electric grid from the bill = - 50 points

Objectives for Your Meeting with Baylor Brown

Your immediate objective in meeting with Senator Brown is to agree on the components of an energy bill that you can jointly present to the Energy and Natural Resources Committee (with the larger long-term goal of getting the bill through the committee, put up for a vote by the full Senate, and passing the Senate with at least 60 votes). You hope to shape the bill to be as advantageous to your standing in the Democrat Party as possible, as measured by net points, while still getting Senator Brown

to agree and carry over sufficient Republican votes to pass the Senate. You should not agree to any package of components in the bill that yields a net negative point total, as that would damage your party standing; your aim is to create a strongly favorable bill that will help you and your party advance (the higher the net point total, the better).

Important Notes

Be prepared to report your results following the negotiation. At the end of the negotiation period, or when you reach an agreement if earlier, **all negotiators must complete and sign the results survey** (whether or not you reach agreement).

Please DO NOT show your CONFIDENTIAL negotiation instructions to your negotiation counterpart. During the negotiation, you have the freedom to convey as much or as little information as you choose, but under no circumstances should you let your counterpart see your confidential information (you should also avoid looking at your counterpart's confidential information).

Confidential Summary of Expected Results of Energy Bill for Sen. Adams

NUCLEAR POWER

• REFURBISH EXISTING FACILITIES AND INCENTIVIZE NEW NUCLEAR FACILITIES	-50 points
• REFURBISH EXISTING FACILITIES ONLY	0 points
• INCREASE REGULATION AND MONITORING OF EXISTING FACILITIES AND HALT NEW NUCLEAR FACILITIES	50 points
• EXCLUDE NUCLEAR POWER FROM THE BILL	25 points

ADDRESSING CLIMATE CHANGE

• SUPPORT THE PARIS CLIMATE AGREEMENT, INCREASE FUEL ECONOMY STANDARDS, STRENGTHEN MODEL BUILDING CODES, AND FUND RESPONSE TO RISING SEA LEVELS	300 points
• INSTITUTE A CARBON TAX AND FUND RESPONSE TO RISING SEA LEVELS	250 points
• INSTITUTE A CAP AND TRADE SYSTEM AND FUND RESPONSE TO RISING SEA LEVELS	200 points
• FUND RESPONSE TO RISING SEA LEVELS	0 points
• EXCLUDE CLIMATE CHANGE FROM THE BILL	-200 points

OFFSHORE DRILLING

• GIVE INCREASED VOICE TO LOCAL COMMUNITIES AND INSTITUTE REVENUE SHARING FOR STATES SUCH AS ALASKA, IN COMBINATION WITH AN EXPEDITED PERMIT PROCESS FOR DRILLING	-200 points
• GIVE INCREASED VOICE TO LOCAL COMMUNITIES AND INSTITUTE REVENUE SHARING FOR STATES SUCH AS ALASKA (WITHOUT EXPEDITING THE PERMIT PROCESS)	175 points
• IMPLEMENT A “KEEP IT IN THE GROUND” POLICY OF SEVERELY RESTRICTING FUTURE OIL DRILLING AND EXPLORATION	200 points
• EXCLUDE OFFSHORE DRILLING FROM THE BILL	0 points

INVESTMENT IN RENEWABLE ENERGY SOURCES

• INVEST MONEY IN BOTH JOB TRAINING AND DEVELOPMENT PROGRAMS FOR BOTH WIND AND SOLAR ENERGY SOURCES	150 points
• INVEST MONEY IN JOB TRAINING AND DEVELOPMENT FOR WIND ENERGY SOURCES ONLY	0 points
• INVEST MONEY IN JOB TRAINING AND DEVELOPMENT FOR SOLAR ENERGY SOURCES ONLY	200 points
• LAUNCH A CLEAN ENERGY CHALLENGE	25 points
• EXCLUDE INVESTMENT IN RENEWABLE ENERGY SOURCES FROM THE BILL	-150 points

FUNDING OFFSETS

• SELL OFF STRATEGIC RESERVES AND FACILITATE THE DEVELOPMENT OF NEW OIL FIELDS TO REPLACE RESERVES	-100 points
• SELL OFF STRATEGIC RESERVES WITHOUT ADDRESSING REPLACEMENT	-50 points
• REDUCE SUBSIDIES TO OIL AND GAS COMPANIES	200 points
• EXCLUDE FUNDING OFFSETS FROM THE BILL	0 points

SAFEGUARDING THE ELECTRIC GRID

• PASS NEW REQUIREMENTS SPECIFYING THE TECHNOLOGY TO BE INSTALLED BY ALL POWER-PRODUCING FIRMS	150 points
• ESTABLISH A COMMISSION TO MAKE RECOMMENDATIONS TO SAFEGUARD THE GRID, AND PROVIDE MONEY TO STATES TO ENACT THE RECOMMENDATIONS	125 points
• ESTABLISH A COMMISSION TO MAKE RECOMMENDATIONS TO SAFEGUARD THE GRID, BUT DO NOT FUND IMPLEMENTATION	0 points
• EXCLUDE SAFEGUARDING THE ELECTRIC GRID FROM THE BILL	-50 points

Confidential Role Instructions for Baylor Brown (Republican Senator)

You are Baylor Brown, a Republican Senator from North Carolina. You are currently five years into your second term, and you will be facing a tough re-election challenge next year. You won your last election despite receiving less than fifty percent of the vote, thanks to the campaign of a third-party candidate who took fifteen percent. However, this close race has made you nervous for your next re-election campaign, which is quickly approaching. Money is pouring into the campaign of your Democratic challenger already. You will need to show your conservative base that you still represent their interests, while also demonstrating that you are able to get things done. It is also extremely important to keep your donors happy.

In the most recent election, Democrats took control of the Senate, defeating many Republican incumbents including the former Chairman of the Senate Energy and Natural Resources Committee. Republicans still hold a narrow majority in the House of Representatives, and there is a Republican President. You were appointed the Ranking Member of the Committee after the election. The new Minority Leader of the Senate, Morgan Miller (Republican, Alaska), has asked you to work with the Committee's Chair, Avery Adams, to draft an energy bill that can pass both the House and the Senate. Despite having a majority in the Senate, Democrats do not have enough votes to pass a bill without help from Republicans. Therefore, you know that Adams will depend on you to recruit support from Republican Senators. The Republican president has committed to sign a bipartisan bill supported by both parties.

Your conservative supporters back home will be looking for the bill to include new resource development and fiscally smart measures. Additionally, both nuclear and solar power companies are very powerful in North Carolina. You would love to include policies that will keep the members of those lobbies happy and help increase the campaign donations coming to you.

Your staff has consulted with the staff of all other committee members to get a feel for their stand on the issues and has been meeting with Adams' staff regularly over the last few months. Working together, they have ironed out many of the details of the potential bill. However, your staff and Senator Adams' staff have not yet been able to reach agreement on six key issues, for which they want input

This confidential instruction was written by Kessely Hong, Lecturer in Public Policy, and Chloe Cotton at the Harvard Kennedy School (HKS). The authors would like to thank the Hewlett Foundation for supporting the creation of this case, as well as Farid Nemri, Emily Schlichtling, Bill Dauster and Tyler Norris for feedback. The people and situation described in this case are fictional. HKS simulations are developed solely as the basis for class discussion; they are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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from you and Senator Adams—your staffs have jointly agreed on the issues to be negotiated and on a list of potential options for each issue. You and Senator Adams need to sit down to negotiate an informal agreement on these six issues, in order to create a comprehensive energy bill that you are both comfortable bringing to the Energy and Natural Resources Committee (you both recognize the bill may get further marked up in committee). At your request, your staff has helped you create a confidential scoring system so you can assess your priorities across the issues, as well as evaluate different potential options within each issue. The points in the scoring system represent how much you and your staff think each option will help (higher positive points help more), or hurt (increasingly negative points hurt more), your chances of re-election to the Senate in the upcoming election. While you would like this bill to be comprehensive, you could also eliminate any or all of these issues from the bill.

Following are the six issues to be negotiated and your staff's assessment of the potential options associated with each issue. Your goal is to negotiate a bill that will significantly improve your chances of re-election. Therefore, you want to achieve as high a net positive point total as possible, while still retaining Adams' support; any bill with a negative total would hurt your chances of re-election and would be worse than killing the bill. Although you and Adams have both been on the committee for a few years, this will be your first major bill together. Assuming the drafting negotiations go well, you are hoping that the two of you can build a strong partnership over the years to come.

Nuclear Power

You personally requested this issue be included in the bill (several nuclear power plants are located in your home state of North Carolina), and it is very important to you that this issue not be excluded. The nuclear lobby have been your key supporters since the beginning of your political career, and they need to know they can count on your dedication to the nuclear power industry. Nuclear power provides clean, cheap energy, and nuclear power plants are major employers in your state. As with any type of power plant that has been in operation for a number of years, there has been some normal wear and tear on various nuclear facilities; to keep the nuclear power industry strong and safe, you would like to see the government subsidize the refurbishment of existing nuclear facilities, as well as incentivize the construction of state-of-the-art, new facilities.

You have heard that some Democrats want to enact stringent new regulations and monitoring requirements and halt construction of new plants; this would be a major blow to the nuclear power industry, as well as to your campaign; it would also decrease employment in your state.

You and your staff have assigned points to each of the four nuclear power options as follows (positive points increase your chances of re-election, negative points decrease your chances of re-election):

- Refurbish existing facilities and incentivize new nuclear facilities = 40 points
- Refurbish existing facilities only = 20 points

- Increase regulations and monitoring of existing facilities and halt new nuclear facilities = -30 points
- Exclude nuclear power from the bill = -10 points

Addressing Climate Change

Senator Adams' staff insisted on discussing this issue, even though you would prefer to exclude it from the bill. Leaving this issue out of the bill entirely would be a political victory that would please both your base and your donors, as any acknowledgement of climate change is likely to carry with it a host of expensive regulations that hurt business. However, if it must be included, you would like to limit the scope to a provision focused on funding a response to changing sea levels; North Carolina is a coastal state and you are aware that communities located near the shore are concerned about protecting themselves from the negative impacts of large storms. You and the majority of your Republican colleagues and donors prefer to avoid any expensive regulations, such as a cap and trade policy to limit pollution; any kind of tax, such as a carbon tax, would be even worse since you have pledged not to raise taxes. You have heard that many Democrats want to take aggressive measures such as affirming support for the Paris Climate Agreement (the US joined 195 other countries in adopting the agreement by consensus in December 2015, but a subsequent US President later threatened to pull out), increasing fuel economy standards and strengthening model building codes. These measures would significantly increase the cost of doing business in the US, and it would be political suicide for you to endorse them.

You and your staff have assigned points to each of the five options to address climate change as follows (positive points increase your chances of re-election, negative points decrease your chances of re-election):

- Support the Paris Climate Agreement, increase fuel economy standards, strengthen model building codes, and fund response to rising sea levels = -50 points
- Institute a carbon tax and fund response to rising sea levels = -30 points
- Institute a cap and trade system and fund response to rising sea levels = -20 points
- Fund response to rising sea levels only = 20 points
- Exclude climate change from the bill = 50 points

Offshore Drilling

You and other Republicans believe that it is important not to let government bureaucracy get in the way of progress. Ideally, you would like to see the permitting process for offshore drilling accelerated. Senator Miller, the Senate Minority leader from Alaska, has privately asked that you be sure to include revenue sharing for offshore drilling in Alaska in any bill, promising considerable funding for your election from the national party if you are able to achieve this. You are happy to support revenue sharing for Alaska and other states, and you are also open to giving local communities an increased voice. What you are vehemently opposed to is having the federal government place additional, inflexible restrictions on future drilling and exploration that would slow down growth. You want to make sure

offshore drilling is addressed in this bill, in a way that will allow for economic expansion and make Miller happy.

You and your staff have assigned points to each of the four offshore drilling options as follows (positive points increase your chances of re-election, negative points decrease your chances of re-election):

- Give increased voice to local communities and institute revenue sharing for states such as Alaska, in combination with an expedited permit process for drilling = 40 points
- Give increased voice to local communities and institute revenue sharing for states such as Alaska (without expediting the permit process) = 35 points
- Implement a "keep it in the ground" policy of severely restricting future oil drilling and exploration = -40 points
- Exclude offshore drilling from the bill = -10 points

Investment in Renewable Energy Sources

You assume that this will be an important issue for Adams, although it is not one of your priorities and you would be perfectly happy to leave this issue out of the bill altogether. You do not want to waste a lot of government money on subsidizing wind and solar companies, so if Adams really pushes for renewable energy subsidies, you would rather limit spending to either wind or solar, but not both. You have also heard rumblings of support among some moderate Republicans about launching a clean energy challenge, designed as a contest to encourage ingenuity by state and local governments. You think that you could potentially get behind this approach and sell it as an effort to allow specialized local solutions, as opposed to federal overreach (also, this would likely be significantly cheaper than funding development of wind and solar power).

You and your staff have assigned points to each of the five options to invest in renewable energy as follows (positive points increase your chances of re-election, negative points decrease your chances of re-election):

- Invest money in both job training and development programs for both wind and solar energy sources = -10 points
- Invest money in job training and development for wind energy sources only = -7 points
- Invest money in job training and development for solar energy sources only = -5 points
- Launch a clean energy challenge = 10 points
- Exclude investment in renewable energy sources from the bill = 20

Funding Offsets

Funding offsets are often included in bills to help pay for new spending introduced in the bill (offsets can be either new sources of revenue or reductions in existing spending). You know that many provisions in this bill will result in increased spending, so it is crucial that the bill also include some cost-

cutting measures to demonstrate that you are fiscally prudent. Your first choice would be to sell off strategic reserves and facilitate the development of new oil fields to replace them; you feel it is important for national security that the US keep significant oil reserves available to reduce dependency on foreign oil. You would be less enthused about selling strategic reserves without a replacement plan. Approaches such as reducing subsidies for oil and gas companies, proposed by some Democrats, would upset both your base and your donors.

You and your staff have assigned points to each of the four funding offset options as follows (positive points increase your chances of re-election, negative points decrease your chances of re-election):

- Sell off strategic reserves and facilitate the development of new oil fields to replace reserves = 40 points
- Sell off strategic reserves without addressing replacement = -10 points
- Reduce subsidies to oil and gas companies = -20 points
- Exclude funding offsets from the bill = -20 points

Safeguarding the Electric Grid

In the wake of recent cyberattacks, you feel it is necessary that the Senate take steps to protect the electric grid; this is too important an issue to ignore or sideline, and you want to show voters you are taking action. Therefore, you support the establishment of a commission to explore the issue in more detail and share technical information and recommendations—and then you want to allow the states to enact the recommendations that make sense for them. Ideally, however, you would prefer to limit any increased funding for such a program. At the same time, you want to be sensitive to business interests, and avoid costly federal regulations and rigid technological requirements. This will hurt businesses, will not allow for flexibility to adapt to new cyber threats, and will upset the Chamber of Commerce who is a crucial donor for your upcoming re-election.

You and your staff have assigned points to each of the four options to safeguard the electric grid (positive points increase your chances of re-election, negative points decrease your chances of re-election):

- Pass new requirements specifying the technology to be installed by all power-producing firms = -15 points
- Establish a commission to make recommendations to safeguard the grid, and provide money to states to enact the recommendations = 25 points
- Establish a commission to make recommendations to safeguard the grid, but do not fund implementation = 30 points
- Exclude safeguarding the electric grid from the bill = - 10 points

Objectives for Your Meeting with Avery Adams

Your immediate objective in meeting with Senator Adams is to agree on the components of an energy bill that you can jointly present to the Energy and Natural Resources Committee (with the larger long-term goal of getting the bill through the committee, put up for a vote by the full Senate, and passing the Senate with at least 60 votes). You hope to shape the bill to be as advantageous to your re-election campaign and as appealing to your donors, constituents, and party as possible, as measured by net points; however, you recognize that you still need to get Senator Adams to agree and you will need to carry enough Democrat votes to pass the Senate. You should not agree to any package of components in the bill that yields a net negative point total, as that would damage your chances of re-election; your aim is to create a strongly favorable bill that will help you and your campaign advance (the higher the net point total, the better).

Important Notes

Be prepared to report your results following the negotiation. At the end of the negotiation period, or when you reach an agreement if earlier, **all negotiators must complete and sign the results survey** (whether or not you reach agreement).

Please DO NOT show your CONFIDENTIAL negotiation instructions to your negotiation counterpart. During the negotiation, you have the freedom to convey as much or as little information as you choose, but under no circumstances should you let your counterpart see your confidential information (you should also avoid looking at your counterpart's confidential information).

Confidential Summary of Expected Results of Energy Bill for Sen. Brown

NUCLEAR POWER

- REFURBISH EXISTING FACILITIES AND INCENTIVIZE NEW NUCLEAR FACILITIES — 40 points
- REFURBISH EXISTING FACILITIES ONLY — 20 points
- INCREASE REGULATION AND MONITORING OF EXISTING FACILITIES AND HALT NEW NUCLEAR FACILITIES — -30 points
- EXCLUDE NUCLEAR POWER FROM THE BILL — -10 points

ADDRESSING CLIMATE CHANGE

- SUPPORT THE PARIS CLIMATE AGREEMENT, INCREASE FUEL ECONOMY STANDARDS, STRENGTHEN MODEL BUILDING CODES, AND FUND RESPONSE TO RISING SEA LEVELS — -50 points
- INSTITUTE A CARBON TAX AND FUND RESPONSE TO RISING SEA LEVELS — -30 points
- INSTITUTE A CAP AND TRADE SYSTEM AND FUND RESPONSE TO RISING SEA LEVELS — -20 points
- FUND RESPONSE TO RISING SEA LEVELS — 20 points
- EXCLUDE CLIMATE CHANGE FROM THE BILL — 50 points

OFFSHORE DRILLING

- GIVE INCREASED VOICE TO LOCAL COMMUNITIES AND INSTITUTE REVENUE SHARING FOR STATES SUCH AS ALASKA, IN COMBINATION WITH AN EXPEDITED PERMIT PROCESS FOR DRILLING — 40 points
- GIVE INCREASED VOICE TO LOCAL COMMUNITIES AND INSTITUTE REVENUE SHARING FOR STATES SUCH AS ALASKA (WITHOUT EXPEDITING THE PERMIT PROCESS) — 35 points
- IMPLEMENT A “KEEP IT IN THE GROUND” POLICY OF SEVERELY RESTRICTING FUTURE OIL DRILLING AND EXPLORATION — -40 points
- EXCLUDE OFFSHORE DRILLING FROM THE BILL — -10 points

INVESTMENT IN RENEWABLE ENERGY SOURCES

- INVEST MONEY IN BOTH JOB TRAINING AND DEVELOPMENT PROGRAMS FOR BOTH WIND AND SOLAR ENERGY SOURCES — -10 points
- INVEST MONEY IN JOB TRAINING AND DEVELOPMENT FOR WIND ENERGY SOURCES ONLY — -7 points
- INVEST MONEY IN JOB TRAINING AND DEVELOPMENT FOR SOLAR ENERGY SOURCES ONLY — -5 points
- LAUNCH A CLEAN ENERGY CHALLENGE — 10 points
- EXCLUDE INVESTMENT IN RENEWABLE ENERGY SOURCES FROM THE BILL — 20 points

FUNDING OFFSETS

- SELL OFF STRATEGIC RESERVES AND FACILITATE THE DEVELOPMENT OF NEW OIL FIELDS TO REPLACE RESERVES — 40 points
- SELL OFF STRATEGIC RESERVES WITHOUT ADDRESSING REPLACEMENT — -10 points
- REDUCE SUBSIDIES TO OIL AND GAS COMPANIES — -20 points
- EXCLUDE FUNDING OFFSETS FROM THE BILL — -20 points

SAFEGUARDING THE ELECTRIC GRID

- PASS NEW REQUIREMENTS SPECIFYING THE TECHNOLOGY TO BE INSTALLED BY ALL POWER-PRODUCING FIRMS — -15 points
- ESTABLISH A COMMISSION TO MAKE RECOMMENDATIONS TO SAFEGUARD THE GRID, AND PROVIDE MONEY TO STATES TO ENACT THE RECOMMENDATIONS — 25 points
- ESTABLISH A COMMISSION TO MAKE RECOMMENDATIONS TO SAFEGUARD THE GRID, BUT DO NOT FUND IMPLEMENTATION — 30 points
- EXCLUDE SAFEGUARDING THE ELECTRIC GRID FROM THE BILL — -10 points

Important Tips for Negotiating an Energy Bill

- This exercise introduces a role-specific scoring system to help you better understand your relative priorities across the issues and options. There is a confidential summary of your "points" for all potential options for all 6 issues at the end of your instruction packet—please use this to compare the relative value to you of possible options within different issues. Any option that will benefit your interests has been assigned positive points; any option that will hurt your interests has been assigned negative points. You may accept an option with negative points on some issues, as long as your net point total is positive. **Note: Senator Adams and Senator Brown have each created their own scoring system, using different metrics and scales, so <u>you should not attempt to compare points across negotiators.</u>**

- Your goal is to negotiate a package that will yield the highest possible net positive point total for yourself, while still being acceptable to the other negotiator. **You should not agree to any package with a negative net point total.**

- Please stick with the assigned issues and points, and **do not invent additional issues or scoring systems**; assume that the given scoring system represents your true preferences.

- For simplicity, **please assume all issues are independent**, i.e. the option chosen for one issue will not affect the point value of potential options for another issue.

- You may share as much information as you wish with the other negotiator, **but you may not show your instructions to the other negotiator at any time before or during the negotiation. This is a negotiation simulation, not a math exercise, so make sure you discuss the actual issues and your priorities (do not reveal your points to the other negotiator).**

- Please use the provided results survey to record your agreement (or lack of agreement). If you come to an agreement, you must jointly agree on a package including one option from within each of the 6 issue areas.

- If you have any questions, please ask your instructor for clarification.

Good luck!

Negotiating an Energy Bill Preparation Survey

Please complete your survey as you prepare for this exercise. Your responses will be useful to you as you negotiate.

Your name:_____

Your role:_____ **Your group number:_____**

Note: **please see accompanying confidential instructions for your role and "Tips" sheet for additional advice. In your instructions, the options for each issue to be negotiated have been assigned a point value, representing how well the option meets your interests (positive point value) or hurts your interests (negative point value). You are told you cannot accept any agreement that yields a net negative point total** (it is fine to accept options with negative points on some issues, as long as the sum of your net total points across issues is positive)**. A net point total of zero can be considered your "walk-away" or "reservation value"** (the net value of a total package below which you should exit the negotiation rather than reaching agreement).

1. Your goal should be to significantly advance your interests through this negotiation. **What target (goal) would you like to set for an agreement?** (What is the net value in your point system of a package of options spanning all the issues that would represent a very good outcome for you in this negotiation?)

2. **Identify your interests, and your priorities across the issues. What are some potential tradeoffs you would be willing to make?** (i.e., in order to get a preferred option on one issue, what would you be willing to give up on another issue, or vice-versa?)

3. **What do you think are the other party's interests and priorities?**

4. **What strategies can you use to shape the overall negotiation process to build trust and create value with the other negotiator, while still ensuring you are claiming significant value for yourself and the people whose interests you are representing?**

Negotiating an Energy Bill Results Survey

Group Number: _____ Did you reach an agreement? (Yes/No):_____

Please choose one and only one option from each issue category by placing an "x" next to your chosen option.

NUCLEAR POWER

____ Refurbish existing facilities and incentivize new nuclear facilities
____ Refurbish existing facilities only
____ Increase regulation and monitoring of existing facilities and halt new nuclear facilities
____ Exclude nuclear power from the bill

ADDRESSING CLIMATE CHANGE

____ Support the Paris Climate Agreement, increase fuel economy stds., strengthen model building codes, etc.
____ Institute a carbon tax and fund response to rising sea levels
____ Institute a cap and trade system and fund response to rising sea levels
____ Fund response to rising sea levels
____ Exclude climate change from the bill

OFFSHORE DRILLING

____ Give increased voice to local communities and institute revenue sharing for states such as Alaska, in combination with an expedited permit process for drilling
____ Give increased voice to local communities and institute revenue sharing for states such as Alaska (without expediting the permit process)
____ Implement a "keep it in the ground" policy of severely restricting future oil drilling and exploration
____ Exclude offshore drilling from the bill

INVESTMENT IN RENEWABLE ENERGY SOURCES

____ Invest money in both job training and development programs for both wind and solar energy sources
____ Invest money in job training and development for wind energy sources only
____ Invest money in job training and development for solar energy sources only
____ Launch a clean energy challenge
____ Exclude investment in renewable energy sources from the bill

FUNDING OFFSETS

____ Sell off strategic reserves and facilitate the development of new oil fields to replace reserves
____ Sell off strategic reserves without addressing replacement
____ Reduce subsidies to oil and gas companies
____ Exclude funding offsets from the bill

SAFEGUARDING THE ELECTRIC GRID

____ Pass new requirements specifying the technology to be installed by all power-producing firms
____ Establish a commission to make recommendations to safeguard the grid, and provide money to states…
____ Establish commission to make recommendations to safeguard the grid, but do not fund implementation
____ Exclude safeguarding the electric grid from the bill

Total Points Senator Adams: _____ Total Points Senator Brown: _____
Person Representing Adams: _____ Person Representing Brown: _____

Negotiating an Energy Bill PowerPoint Presentation

Negotiating an Energy Bill

Harvard Legislative Negotiation Program

Sponsored by the Hewlett Foundation

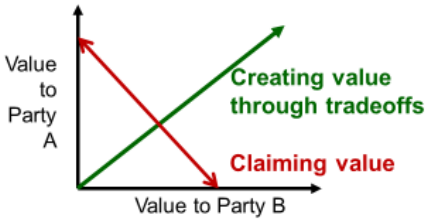
Distributive vs. Integrative Negotiations

Distributive Negotiations

- There is only **one issue** to be negotiated
- Fixed pie: each party's gain comes at a direct loss to the other side
- Common assumption: parties are adversaries competing for value
- Common sticking point: if the issue cannot be divided, then the "winner takes all"—but nobody wants to be the loser

Integrative Negotiations

- There are **multiple issues** to be negotiated
- Wise tradeoffs allow for mutual gains
- Common assumption: the parties can trade on differences in preferences, priorities, or expectations
- Common sticking point: parties fail to share enough information to enable wise tradeoffs



How do you achieve mutual gains in a multi-issue negotiation? “expand the pie” (move “northeast”)

- Focus on interests, not positions
- Seek to understand differences in interests/priorities/expectations between parties
- Generate options that meet the parties’ key interests at relatively low cost to the other party
- Create value through gains from trade: each side gives up something they value less than what they gain from the other side

Drawing on Fisher, R., Ury, W., and Patton, B., *Getting to Yes* (second edition), Penguin Books, 1991, Chapter 3, pp. 40-55.

Negotiating an Energy Bill

Review your confidential role instructions, tips sheet, and preparation survey NOW.

Please assume the scoring system in your instructions represents your true interests and priorities. **Please do not invent additional issues or options, and please do not agree to a bill that would make you worse off overall (total net points must sum to at least zero).**

Negotiate in your role with your counterpart.

After you reach an agreement or before the assigned end time, stop and fill out the Results Survey (one per group) and turn it in to your instructor.

Negotiating an Energy Bill Debrief

Themes from Negotiating an Energy Bill

- Preparation and target setting
- Information gathering and sharing
- Creating value through trading on differences in priorities
- Process strategies to enhance value creation
- Balancing the tension between creating and claiming value in long-term relationships
- Negotiating across levels (internally and externally)

NEGOTIATING AN ENERGY BILL SCORING SUMMARY—COMPROMISE "SPLIT EACH ISSUE" EXAMPLE

Points		
Adams (D)	Brown (R)	**NUCLEAR POWER**
-50	40	Refurbish existing facilities and incentivize new nuclear facilities
0	20	Refurbish existing facilities only
50	-30	Increase regulation and monitoring of existing facilities and halt new nuclear facilities
25	-10	Exclude nuclear power from the bill
		ADDRESSING CLIMATE CHANGE
300	-50	Support the Paris Climate Agreement, inc. fuel economy standards, strengthen model building codes, & fund response to rising sea levels
250	-30	Institute a carbon tax and fund response to rising sea levels
200	-20	Institute a cap and trade system and fund response to rising sea levels
0	20	Fund response to rising sea levels
-200	50	Exclude climate change from the bill
		OFFSHORE DRILLING
-200	40	Give inc'd voice to local communities & institute revenue sharing for states such as Alaska, with an expedited permit process for drilling
175	35	Give increased voice to local communities and institute revenue sharing for states such as Alaska (without expediting the permit process)
200	-40	Implement a "keep it in the ground" policy of severely restricting future oil drilling and exploration
0	-10	Exclude offshore drilling from the bill
		INVESTMENT IN RENEWABLE ENERGY SOURCES
150	-10	Invest money in both job training and development programs for both wind and solar energy sources
0	-7	Invest money in job training and development for wind energy sources only
200	-5	Invest money in job training and development for solar energy sources only
25	10	Launch a clean energy challenge
-150	20	Exclude investment in renewable energy sources from the bill
		FUNDING OFFSETS
-100	40	Sell off strategic reserves and facilitate the development of new oil fields to replace reserves
-50	-10	Sell off strategic reserves without addressing replacement
200	-20	Reduce subsidies to oil and gas companies
0	-20	Exclude funding offsets from the bill
		SAFEGUARDING THE ELECTRIC GRID
150	-15	Pass new requirements specifying the technology to be installed by all power-producing firms
125	25	Establish a commission to make recommendations to safeguard the grid, & provide money to states to enact the recommendations
0	30	Establish a commission to make recommendations to safeguard the grid, but do not fund implementation
-50	-10	Exclude safeguarding the electric grid from the bill
100	**55**	**TOTAL POINTS FROM COMPROMISE "SPLIT EACH ISSUE" EXAMPLE**

Negotiating an Energy Bill

Issues to Negotiate

- Nuclear Power
- Addressing Climate Change
- Offshore Drilling
- Investment in Renewable Energy Sources
- Funding Offsets
- Safeguarding the Electric Grid

For each issue, are the parties' interests:

- Shared (same or similar interests)?
- Opposed (different interests , high priority for both)?
- Tradable (different interests, different priorities)?

NEGOTIATING AN ENERGY BILL SCORING SUMMARY—COMPROMISE "SPLIT EACH ISSUE" EXAMPLE vs. "PRIORITY TRADES" EXAMPLE

Points		
Adams (D)	Brown (R)	NUCLEAR POWER
-50	40	Refurbish existing facilities and incentivize new nuclear facilities
0	20	Refurbish existing facilities only
50	-30	Increase regulation and monitoring of existing facilities and halt new nuclear facilities
25	-10	Exclude nuclear power from the bill
		ADDRESSING CLIMATE CHANGE
300	-50	Support the Paris Climate Agreement, inc. fuel economy standards, strengthen model building codes, & fund response to rising sea levels
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200	-40	Implement a "keep it in the ground" policy of severely restricting future oil drilling and exploration
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150	-10	Invest money in both job training and development programs for both wind and solar energy sources
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125	25	Establish a commission to make recommendations to safeguard the grid, & provide money to states to enact the recommendations
0	30	Establish a commission to make recommendations to safeguard the grid, but do not fund implementation
-50	-10	Exclude safeguarding the electric grid from the bill
100	**55**	**TOTAL POINTS FROM COMPROMISE "SPLIT EACH ISSUE" EXAMPLE**
550	**115**	**TOTAL POINTS FROM "PRIORITY TRADES" EXAMPLE**

Pareto Efficiency

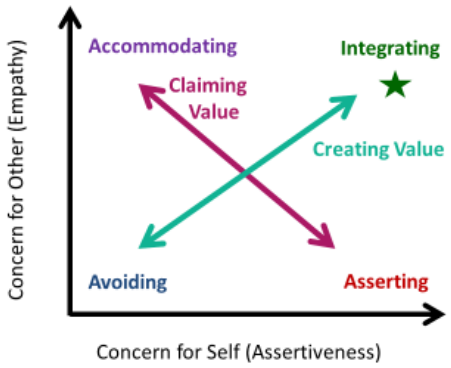
- An outcome is Pareto Efficient if there are no other possible outcomes which are:
  - (1) better for one (or more) parties and
  - (2) not worse for any party
- Pareto Efficient outcomes are not necessarily "fair," equitable, or maximizing net social value (sum of value to all parties)

Why do negotiators care about achieving Pareto Efficiency?

- A Pareto efficient outcome means the negotiators have achieved the most joint value possible, given the constraints of getting all parties to agree
- If you make a Pareto inefficient deal, you missed a "painless" (cost-free) opportunity to make one or more parties better off—you "wasted value" and did not do as well for yourselves as you could have

Dual Concerns Model

Adapted from table on p. 389, Allred, K., "Distinguishing Best and Strategic Practices: A Framework for Managing the Dilemma between Claiming and Creating Value," *Negotiation Journal*, Oct 2000.



"Two-level games"

Putnam, R. "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization*, MIT Press, summer 1988, pp. 427-460.

- Level I: "bargaining between the negotiators, leading to a tentative agreement" (**external negotiations**)
- Level II: "separate discussions within each group of constituents about whether to ratify the agreement" (**internal negotiations**)

Process Strategies to Enhance Creating (and Claiming) Value

- **Set an ambitious target** (goal) for the overall value of the deal, but **be flexible about how you achieve it**
- **Establish shared goals** and together **agree on a mutually satisfactory process**
- **Discuss sets of issues** so you can give away what you value less in exchange for something you value more **negotiating issue by issue turns each issue into a competition**
- **Insist on reciprocity**—don't give information or value away without getting something in return
- To elicit information about the other parties' tradeoffs, consider making **multiple *equivalent* offers** simultaneously (if appropriate)
- **Do not assume** you have opposing preferences on every issue—you do not want to miss **noticing shared or similar preferences**; ask open-ended questions and **use active listening skills** to test your assumptions and learn new information
- **Look for post-settlement settlements**: after an initial agreement, share more information to try to find a Pareto improvement, using the initial agreement as a fallback