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Cap-And-Trade Plan Simply Hot Air

By Jim Constantopoulos

President Bush's strategy of ending U.S. growth in carbon dioxide emissions by 2025 aims to achieve truly global action without wrecking America's economy. But the Senate is planning to take up a bill that would impose limits on carbon dioxide emissions from the use of fossil fuels, at the expense of the American public.

This time, the American consumer will not be victimized as a taxpayer, but as a user of fossil fuels, which provide 85 percent of America's energy.

If the sponsors of the Climate Security Act have their way, unknowing consumers are about to be "taxed" through their electric bills. It would also mean higher prices at the pump for gasoline and higher prices for fuel oil and natural gas to heat homes.

The cornerstone of the Climate Security Act is a cap-and-trade scheme like the one imposed under the Kyoto Protocol, the international treaty to reduce greenhouse gas emissions. It would set a cap on CO₂ emissions. Each utility, oil company and manufacturer would be given allowances to emit CO₂. Companies that emit less than their allotted CO₂ could sell the excess to those that do not. Over time, the ceiling would decline, ratcheting emissions down toward the 2020 target of 15 percent below 2005 levels. In practice this is nothing more than a method for rationing energy and, as the Congressional Budget Office has pointed out, "a tax on emissions."

The assumption is that this will lead to a reduction in emissions. But most of the major countries that are party to the Kyoto agreement and participate in a cap-and-trade system are not on track to meet their reduction goals.

In fact, nearly every European country has higher emissions today than when the treaty was first signed in 1997. Emissions in many European nations are actually rising faster than U.S. emissions.

Never mind that rapidly industrializing countries like China, India and Brazil are not required under the Kyoto treaty to cut CO₂. To the contrary, these countries are rapidly increasing their emissions, and China will soon become the largest emitter of greenhouse gases.

So even if Kyoto signatories had met their targets, they would have been offset by the rising emissions of China and other developing countries. The bottom line is that the treaty will not succeed in reducing greenhouse emissions, and is an exercise in futility.

U.S. costs for cap-and-trade are likely to exceed any possible benefits. It would result in more expensive gasoline, jet fuel and electricity as well as job losses, due to the impact of higher energy costs on economic activity.

A study by CRA International, a highly-regarded energy consulting firm, estimates that the cost of the Climate Security Act — in terms of reduced household spending per year — would be \$800 to \$1,300 per household by 2015, rising by \$1,500 to \$2,500 by 2050. Electricity prices would soar by 36 to 65 percent by 2015. CRA estimates that 1.2 million to 2.3 million jobs will be lost.

The strategy of imposing binding reductions on greenhouse emissions in the hope of controlling climate change is doomed to failure. Experience shows that not only are emissions of the countries that ratified the treaty continuing to rise but they are subsidizing foreign competitors like China and India at their own expense.

If the goal is to limit carbon emissions, development of affordable clean technologies for worldwide use is a far more sensible policy. For example, a 10 percent improvement in the efficiency of a coal-fueled power plant would yield a 25 percent reduction in CO₂ emissions. The coal industry has attached high priority to achieving this goal.

Efforts are also under way to develop practical methods for capturing and storing carbon emissions from coal plants in underground salt caverns and empty oil and gas fields. The process, when developed and fully demonstrated, would be made available for use in other coal-consuming countries.

More research and technology transfer is the real path forward, not unaffordable mandates, and it would be a true stimulus for a better environment and far exceed the benefits, if any, from trading permits.