



Written by on April 27, 2009

The High Cost of Cap and Trade

The term “cap and trade,” in terms of a plan to reduce carbon-dioxide emissions into the air, is one that is heard widely of late as a proposed solution for the supposed problem of global warming. It will be discussed with more frequency as cap-and-trade proposals that failed to pass in the last Congress are reintroduced this year. But many people are still a little hazy about what “cap and trade” actually means. One succinct explanation appeared in an article on the Congressional Budget Office website: “The government would set gradually tightening limits on [CO₂] emissions, issue rights (or allowances) corresponding to those limits, and then allow firms to trade the allowances.”



Aside from telling us how cap-and-trade programs might operate, the reference to “tightening limits on emissions” gives away the ostensible purpose of these programs: to fight that supposed ominous scourge of the 21st century, global -warming.

Those who have accepted the widely promulgated theory that the melting of the polar icecaps and rising of the seas is imminent may believe that any economic cost is worth enduring, if only global warming can be forestalled. However, regular readers of *The New American*, especially those who have read our February 16, 2009 cover story entitled “Whatever Happened to Global Warming?” as well as those who have read any of several well-researched books* disputing both the severity of global warming and the theory that it is caused by man’s activities, will not easily accept the argument that a massive and costly government program is needed to prevent a catastrophic ecological event.

To make an informed decision about whether a cap-and-trade program is advisable, therefore, requires that several questions be answered.

Is global warming real, or at least real enough to be threatening?

This question is best dealt with by referring to our February 16 cover story or one of the books cited in the footnote. Suffice it to say that the issue is not as settled as many in the media portray it to be.

What impact, if any, do man-made CO₂ emissions have on global warming?

In the April 3 issue of the *Wall Street Journal*, deputy editor George Melloan noted that, according to “serious scientists,” “the greenhouse gases are a fundamental part of the biosphere, necessary to all life, and ... industrial activity generates less than 5% of them, if that.”

Furthermore, the theory that CO₂ is the prime culprit in so-called global warming may also be flawed. In the compendium *Earth Report 2000*, Dr. Roy Spencer, senior scientist for climate studies at NASA’s Marshall Space Flight Center, noted: “It is estimated that water vapor accounts for about 95 percent of the earth’s natural greenhouse effect, whereas carbon dioxide contributes most of the remaining 5



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percent. Global warming projections assume that water vapor will increase along with any warming resulting from the increases in carbon dioxide concentrations.”

Dr. Spencer points out that such assumptions are unproven, noting that “there remain substantial uncertainties in our understanding of how the climate system will respond to increasing concentrations of carbon dioxide and other greenhouse gases.” He observes that the natural greenhouse effect that heats the Earth is offset by natural cooling processes. “In other words,” concluded Dr. Spencer, “the natural greenhouse effect cannot be considered in isolation as a process warming the earth, without at the same time accounting for cooling processes that actually keep the greenhouse effect from scorching us all.”

Theories on runaway global warming based on CO₂ emissions postulate that increases in CO₂ will cause some (minor) heating of the Earth that will in turn cause more water vapor to enter the air from the oceans, thereby causing dangerous heating of the Earth. But the system isn’t so simple. If the climate system worked this way, the Earth would have reached its maximum temperature eons ago, and stayed there: water vapor would have entered the air when the oceans were heated by sunlight; the Earth would have warmed somewhat, leading to more water vapor entering the air and more heating of the Earth, followed by more water vapor, and so on.

What is the economic cost of reducing carbon-dioxide emissions, either by cap and trade or a direct tax?

Whether one accepts the claims that carbon emissions contribute to global warming, or prefers to give equal weight to contradictory evidence, there is no dispute that a cap-and-trade program would be costly. As to how costly, we should consider the article “Study the (scary) figures on cap and trade,” by Rep. Joe Barton (R-Texas) in the Fort Worth *Star Telegram* for April 11, 2009. In it Barton noted: “[Cap and trade] is being sold as a way to save the planet by taxing ‘emitters,’ but it will kill the economy and decimate your family’s budget.” Barton made the following predictions of how cap and trade would affect the U.S. economy, citing the National Association of Manufacturers as his principal source:

- Job losses: 1.8 to 7 million
- Family tax increase: \$739 to \$6,752
- Electricity cost increases: 44 to 129 percent
- Gasoline price increases: 61 cents to \$2.53 per gallon
- Natural gas increases: 108 to 146 percent

He added: “While the exact cost increases may be debatable, experts — including those working at the White House — agree that prices will go up.” The Huntsville, Alabama, *Times* for April 14, 2009 ran an article headlined “Cap-and-trade will hurt economy, group says,” that quoted Dr. John Hill, director of research for the Birmingham-based Alabama Policy Institute (API). Dr. Hill cast doubt on the idea that carbon emissions have much impact on global warming.

The article noted that, regardless of differences of opinion concerning global warming: “All sides agree that carbon dioxide limits could raise the cost of electricity or heat generated using fossil fuels such as coal or natural gas. It also could raise costs for other industries that release carbon dioxide, such as cement plants.” The report also quoted API’s communications director, David Sawyer, who warned that a cap-and-trade system could more than double electricity and natural-gas bills for residents. “Since when was carbon dioxide considered a poisonous pollutant?” Sawyer questioned. “To put a chokehold



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on our economy with the idea of saving the planet is a complete ruse.”

And finally, does the benefit justify the cost?

When Senators Joseph Lieberman (I-Conn.) and John Warner (R-Va.) introduced the America’s Climate Security Act of 2007 (S. 2191) in the last Congress, the Heritage Foundation warned, “All such climate change measures warrant careful scrutiny, as they would likely increase energy costs and do considerably more economic harm than environmental good.”

The Heritage assessment cited a study by Charles River Associates that put the cost (in terms of reduced household spending per year) of S. 2191 at \$800 to \$1,300 per household by 2015, rising to \$1,500 to \$2,500 by 2050. Electricity prices could jump by 36 to 65 percent by 2015 and 80 to 125 percent by 2050. The study noted that while no analysis has been done on the impact of S. 2191 on gasoline prices, an Environmental Protection Agency study of a less stringent cap-and-trade bill estimates impacts of 26 cents per gallon by 2030 and 68 cents by 2050.

And what benefit would ensue from these financial burdens? Again citing the Charles River study, Heritage noted that “even if the U.S. were a party to [the Kyoto Protocol] and the European nations and other signatories were in full compliance ... the treaty would reduce the Earth’s future temperature by an estimated 0.07 degrees Celsius by 2050 — an amount too small even to verify. S. 2191 would at best do only a little more.”

Despite the above findings, there is a strong political movement in our nation determined to impose cap and trade or other forms of carbon taxes that will place a further economic burden on Americans.

House Energy and Commerce Committee Chairman Henry A. Waxman (D-Calif.) and Rep. Edward J. Markey (D-Mass.), chairman of the Energy and Environment Subcommittee, released a draft climate bill in March that they hope to send to the full House by Memorial Day.

Another bill containing a cap-and-trade provision has already been introduced in the House. H.R. 1759, the Emission Migration Prevention with Long-term Output Yields Act, was introduced on March 26 by representatives Jay Inslee (D-Wash.) and Michael Doyle (D-Pa.) and has been referred to the House Committee on Energy and Commerce.

Perhaps to address concerns voiced by opponents of cap-and-trade plans that they will damage an already weak U.S. economy, Joseph Aldy, a special assistant to the president for energy and the environment, announced on April 8 that a portion of the revenue received from any cap-and-trade plan must go toward relieving those who end up paying higher energy bills because of the plan — *an admission against interest that energy costs are going to go up, just as critics claim*. “There will be those who are going to be vulnerable as we make this transition and ... we need to actually target the allowance value and revenues to those households, communities, and businesses,” Reuters news quoted Aldy as saying at an Energy Information Administration forum.

Advocates of cap and trade are promoting it as a way to prevent global warming. But U.S. Representative Marsha Blackburn (R-Tenn.) has another description for it: “cap and tax.” Even New York City Mayor Michael Bloomberg admitted that cap and trade is a form of taxation when he told reporters at the UN Climate Change Conference in Bali, Indonesia, in 2007 that the growing cap-and-trade industry is vulnerable to “special interests, corruption, inefficiencies,” and should be replaced by straight carbon taxes.

It makes little sense to impose a higher tax burden and another revenue-sharing scheme on Americans



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already beaten down by the current recession, using the prevention of “global warming” as a pretext. Americans who think that the cost of living is already high enough should share their concerns with their representatives in Congress before it is too late.

* See, for example, *Hot Talk, Cold Science, and Unstoppable Global Warming Every 1500 Years*, by Dr. S. Fred Singer; *The Politically Incorrect Guide to Global Warming (and Environmentalism)* and *Red Hot Lies: How Global Warming Alarmists Use Threats, Fraud, and Deception to Keep You Misinformed* by Christopher C. Horner; and *Meltdown*, by Patrick Michaels.

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