Cap and Trade Looms on the Horizon

by Jason Lomberg, Technical Editor

The AP reports [1] that “climate bill” proponents had agreed to concessions in an attempt to sway wary Democrats. In this case, “climate bill” refers to the “Cap and Trade” proposal sought by Barack Obama and activists for years. As an aside, I find it fascinating that, just as “climate change” has replaced “global warming” as the preferred terminology, so has “climate bill” supplanted “Cap and Trade.” Perhaps activists feel these euphemisms make their causes more palatable to the general public? (Global warming or “climate change” has, in recent times, ranked [2] dead [3] last [4] among voter concerns). Will these concessions finally enable passage of Cap and Trade legislation?

Along with universal healthcare, Cap and Trade has been a major priority of the Obama administration. Back in 2007, as his campaign was gaining steam, Obama remarked [5] that, "The market will set the price, but unlike the other cap-and-trade proposals that have been offered in this race, no business will be allowed to emit any greenhouses gases for free…Businesses don't own the sky, the public does, and if we want them to stop polluting it, we have to put a price on all pollution." His campaign website laid out a “New Energy for America plan” which alluded to Cap and Trade. In addition to setting the ambitious (some would say overly ambitious) goal of one million hybrids on the road by 2015, the site mentioned [6] an, “economy-wide cap-and-trade program to reduce greenhouse gas emissions 80 percent by 2050.”

This campaign promise formed the foundation of the American Clean Energy and Security Act of 2009 (aka Waxman-Markey, after its authors, Henry A. Waxman of California and Edward J. Markey of Massachusetts). Waxman-Markey calls for a 17-percent emissions reduction from 2005 levels by 2020 and an 80 percent reduction by 2050. As the AP points out, “While it (Waxman-Markey) would cap climate-changing pollution, it also would allow polluters to buy and sell emission allowances within the economy as a way to ease the cost of compliance.” Critics, especially those on the right, charge that Waxman-Markey amounts to a veritable energy tax. The Heritage Foundation, a conservative think tank, claims [7] that Waxman-Markey “is a massive energy tax in disguise that promises job losses, income cuts, and a sharp left turn toward big government.”

The AP acknowledges that, “The bill's emission limits would have their greatest impact on electric utilities, oil refineries and energy-intensive industrial plants as a new cost on carbon releases forces them to find ways to cut emissions, shift to less-polluting fuels or purchase emissions allowances.” Opponents of Waxman-Markey point to its modest results—according to MasterResource [8], a .05°C temperature reduction by 2050. Opponents predict massive job losses, a Gross Domestic Product (GDP) reduction, and in increase in the size of the federal government. The cost to the taxpayer is incalculable considering the bill’s long-term provisions.

One final criticism is the bill’s curious omission of nuclear power. The word “nuclear” appears only twice, and according to sources (no, I haven’t read Waxman-Markey’s 1,000-plus pages [9]), the bill doesn’t count nuclear power as a renewable

source of energy. All of this explains why Republicans are in lockstep opposition, and even Democrats are expressing reservations. When your constituency includes a substantial majority in the coal industry, you'd naturally be opposed to Waxman-Markey. The Obama administration must sway these reluctant Democrats if it hopes to push through Cap and Trade.

Do you agree? Disagree? Think I've gone bonkers? Leave a comment below or email me directly.

See Also:
House GOP offers nuclear-loaded energy bill [10]
Coal Issue Clouds Carbon-Cap Efforts [11]

Note: The preceding represents the view of the editor and not necessarily ECN.

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