Cap and Trade Looms Large

Would it save the planet or condemn us to serfdom and poverty?

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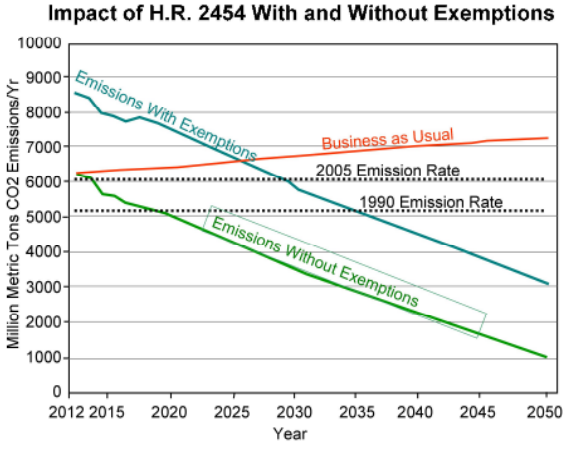
By a vote of 219-212 on June 26, the US House of Representatives passed the mind numbing 1200 page *American Clean Energy Security Act of 2009* (H.R. 2454). Since it was first introduced on May 15, very little discussion was allowed. "We're taking decisive and historic action," said the committee Chairman Henry Waxman, (D-CA). Waxman is responsible for piloting the bill through the House along with his co-sponsor, Ed Markey (D-MA). While Waxman may be right that the bill is decisive and historic, most economists claim it is a massive energy tax under the guise of protecting the environment. It will give us large reductions in our standard of living, huge job losses and a radical turn toward big government with a corresponding loss of individual freedom.

The Waxman-Markey bill is a cap and trade bill similar to what most European Nations imposed in 2005. The bill imposes a declining ceiling, or cap, on greenhouse gas emissions – primarily carbon dioxide (CO2) over the next 40 years. This reduction amounts to 3 percent *below 2005* levels by 2012, 17 percent by 2020, 42 percent by 2030, and 83 percent by 2050. Each regulated industry is given a percentage of the allocated "allowances" defined for the cap that year. The remaining percentage will be auctioned off, with revenues going to the federal government. In other words, it is a hidden tax.



The impact on CO2 emissions before and after Waxman watered down H.R. 2454 to get the needed votes in the Midwestern and Eastern democrats. Like typical politicians, it postpones the harshest impacts until they are no longer in office. Adapted from Climate Bill's Renewable Electricity Standard Severely weakened. Breakthrough Institute. www.thebreakthrough.org.

Cap and trade allows industries like the electric power sector to buy and sell carbon credits. Thus a company can continue to emit high levels of CO2 above the cap by buying credits from more efficient companies whose emissions are below the cap. That's the theory anyway. It turns out the application is far worse. Carbon credits can be bought and sold on the stock market, where mega profits will be made by speculators, hedge funds – the same characters that brought us the global economic crisis.

The Congressional Budget Office (CBO) projects the cost per family to only be $175 per year. EPA's estimate is even lower than that. However, the Heritage Foundation analyzed the CBO/EPA computations and found that they conveniently left out major economic costs. Although the Heritage Foundation stopped short of accusing these government agencies of cooking the books to minimize the economic costs, their own computations showed the cost to be a minimum of $1,288 per year for an average family of three and $1,900 for a family of four.

Worse, the Heritage projections do not include losses due to unintended consequences and lost opportunity costs. When these are included, the costs for a family-of-four escalate to an *average* of $2979 per year over the 2012-

2035 timeframe. By 2035 the cost is $3609 per year. In the meantime the federal government will have raked in $6.5 *trillion.* Waxman-Markey dwarfs TARP and the Stimulus Plan. Of course, the poor get hit the hardest.

In practice, increased energy costs would be much higher in the East, Midwest and rustbelt where energy intensive, coal-fired power producers and fuel oil heating predominate. Not surprisingly, Congressional Democrats representing these regions are cool to the idea that their constituents would be hit the hardest. To get them on board, Waxman diluted the bill giving special allowances and exemptions to the utilities in these states to soften the blow. The bill also allows up to 1.5 billion tons of international emission reductions, or "offsets," to companies that they can purchase instead of reducing their own emissions each year. An additional 1 billion tons of offsets are also available for purchase from US sources that capture and sequester CO2 in some manner.

The operative word here is "purchase." These companies can *purchase* these offsets or credits, the cost of which is passed on to the consumer – with absolutely no reduction in carbon emissions. It is a scam of unbelievable proportions. Companies like Al Gore's Generation Investment Management fund are purchasing companies like Camco International Ltd that sequester carbon. These parasites are positioning themselves to earn billions in profit from the scam at the expense of the consumer, with absolutely no benefit to society or the environment.

By June, there were four of these lobbyists for every Congressman proclaiming how the nation must have this legislation to stop global warming. Nowhere in their dazzling propaganda, however, does it mention that at the very best, such a draconian hit on our economy would lower earth's temperature by less than 0.09^{o}C by 2050. This gives new meaning to economic pain with no climate gain.

The exemptions and offsets so diluted the bill that environmentalists decried that there would be no net reduction in CO2 emissions until 2030. Therein lays the weakness of cap and trade. It is a system begging for corruption. Politicians can grant special dispensations to those they favor, and penalize those they don't. Faceless bureaucrats arbitrarily define the emission caps for specific industries and businesses. Pass a few bucks under the table and you get special treatment.

This type of corruption is what has happened in the European Union. So many exemptions have been made to favored industries that it has turned the entire carbon emission reduction effort into a fiasco. Not only has there been no reduction in the EU's carbon emissions in the four years the EU has imposed cap and trade, emission rates have actually accelerated at a faster rate than those of the US. Nations are even giving rebates to industries whose energy costs are skyrocketing in an attempt to keep them from fleeing to foreign soils. Meanwhile all these machinations cost huge sums of money. Who pays for it? The taxpayers and consumers.

Eventually (after the crop of politicians that passed it retire or die) the exemptions phase out and the full weight of a 40 percent reduction of carbon emissions hits the US economy like a tsunami. Not to worry though! Waxman, Markey and Obama are way ahead of the ball on this one. Like maestros, they have choreographed everything so that renewable energy provides the energy lost by capping fossil fuel emissions. President Obama has promised he will spend $15 to $20 billion a year to make it happen.

Renewable Energy

Cap and trade advocates claim wind and solar energy will make up the difference in the loss of fossil fuel energy. All that is required is that we increase wind and solar energy from less than two percent of our energy needs today to 15 to 20 percent by 2020. Assuming that this technological feat is doable, there are some problems with this. Big problems. The wind only blows about 25

percent of the time and the sun doesn't shine at night. While battery technology has made tremendous advances in the past 15 years, there is no technology known today that can store enough energy to compensate while wind towers lay idle and solar panels are inactive.

So what is going to power your air conditioner when the wind stops blowing on a hot sultry summer day, and there is nary a breeze to bring relief? Or run your furnace when it is 20^{o} below zero outside? The only way to guarantee the power we must have to sustain our economy and lifestyles is to back it up with fossil fuel generating plants – the same CO2 belching ones we have today. A percentage of those have to be in operation 24/7 to immediately take over supplying the needed energy when the wind suddenly dies or the sun goes behind a cloud. Sure, natural gas generating facilities can start producing energy from a dead start, but natural gas electrical generation is much more expensive to operate than coal. Even if gas was competitive, there isn't enough natural gas to make up for the loss of coal energy generation. Congress made sure of that this March when it cavalierly tied up 9.3 *trillion* cubic feet of natural gas permanently with the Omnibus Public Land Management Act of 2009. (See Summer, 2009 issue of Range)

Wind power is supposed to take the place of fossil fuel in generating electrical power. The problem is that the wind only blows 25 percent of the time and has to be subsidized at taxpayer cost of $24 per megawatt hour.

Wind and solar energy have a host of other problems as well. The obvious one is that if we have to keep a significant percentage of the fossil fuel plants ramped up and ready to take over in seconds, then we are still emitting a lot of CO2. This non-productive cost is deadweight and has to be added to the cost of wind and solar. Wear and tear for wind turbines is very high and solar photocells get dirty, resulting in substantial maintenance costs. It is safe to say that these problems tend to defeat the entire purpose of renewable energy.

Another consideration is that wind and solar farms will not be placed where they could be easily connected to the existing electrical grid. To connect them to the grid adds huge front end costs. Then there are significant environmental impacts. Birds die when they run into wind turbine blades, and solar farms takes up square miles of critical habitat for some critter or another. To think that environmentalists won't fight construction efforts tooth and nail is naïve.

Then there is the NIMBY factor – Not In My Back Yard. Just ask the Kennedy clan and other elites on Cape Cod who demand that the wind farm off of the Cape be removed because it spoils their view. And, these are but a few of the problems.

The untold difficulty with renewable energy is that it is expensive. Comparing costs is made more difficult by less than truthful reporting of total costs by wind and solar interests. Although highly variable across the US, the Energy Information Administration reported last year that both wind and solar were subsidized at a rate of $24 per megawatt hour, while coal, natural gas and nuclear received only $0.44, $0.25, and $1.59 respectively. Worse, these subsidies do not include the costs of coal-fired power plants that have to stay in operation as a backup to wind and solar. Both wind and solar must be heavily subsidized to stay in business. Once again, guess who pays for these subsidies?

Undeterred by these concerns, President Obama claims that we should follow the example of Spain, which is now producing nearly 20 percent of their energy needs from renewables. During the campaign, Obama claimed that he would create 5 million new green, clean new jobs in our transition to renewable energy. So, let's just see how these countries have fared by converting to renewable energy.

Spain has been building solar and wind farms for almost 10 years and have found that for every green job created, 2.2 jobs are lost. Each green job comes at a cost of $700,000 per job. Like wind power , the US currently subsidizes solar power at over $24 per megawatt hour.

A study by King Juan Carlos University in Spain found that 2.2 jobs were destroyed in other areas of the economy for every green job created by government decree. Further, it cost $754,000 for every green job created. Applying simple math, Obama's 5 million new green jobs will only come at a cost of 11 *million* existing jobs. Worse, 90 percent of those green jobs are construction jobs that will be lost once the infrastructure nears completion. The study concluded that Spain's renewable policies were "terribly economically counter-productive." The authors warn the US that "the Spanish/EU-style 'green jobs' agenda now being promoted in the U.S. in fact destroys jobs."

Wind and solar can certainly play a niche role in America's energy supply, and may eventually play a significant role if the technology is eventually developed to mitigate most of its seemingly endless limitations. But as Vaclav Klaus, the president of the EU and the Czech Republic, warns, "These technologies have not yet been invented…. There is no known and economically feasible method or technology by which industrial economies can survive on expensive, unreliable, clean, green, renewable energy."

Implementation of the Waxman-Markey bill would seriously harm the economy of the United States, cause the unemployment of 6 million people, and substantially reduce the standard of living for every family.

Perhaps this wrenching transformation of our society could be justified if the doom and gloom forecasts of catastrophic consequences of man-caused global warming were correct. However, readers of Range know that over 32 thousand scientists in the US alone are now saying there is no convincing scientific evidence that man is causing global warming. Thousands of leading scientists around the world have radically changed their minds because emerging science is increasingly negating the man-caused theory.

Science is also showing that CO2 is a miracle gas that has increased global food production by over 12 percent. It will continue to do so at an increasing rate. At best, passing the Waxman-Markey bill is not in the nation's best interest. It is pure folly. At worst, it is insanity. It is all pain and no climate gain.

The next step is for the Senate to take up the bill passed by the House. This is likely to happen in late summer or this fall. If you have never written your Senator before, it is essential you do so this time. The consequences are just too severe to let this legislation pass. You can find their address in the phonebook or go to www.senate.gov or your phonebook.

Dr. Coffman is CEO of Sovereignty International and President of Environmental Perspectives, Inc. He produced a DVD, "Global Warming, Emerging Science and Understanding that explains how new science is proving man-caused warming wrong.