

CAP AND TRADE LOOMS LARGE

Will it save the planet or condemn us to serfdom and poverty? By Michael S. Coffman, Ph.D.

By a vote of 219-212 on June 26, the U.S. House of Representatives passed the mind-numbing 1,200-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 environmental protection. 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. It imposes a declining ceiling, or cap, on greenhouse-gas emissions—primarily carbon dioxide (CO₂)—over the next 40 years. This reduction

amounts to three 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.

It 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 which keep emissions below the cap. That’s the theory. The application is far worse. Carbon credits can be bought and sold on the stock market, where megaprofits will be made by speculators and hedge funds—the same characters who 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. 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, its 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 Foundation’s 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 \$2,979 per year over the 2012-2035 time frame. By 2035, the cost is \$3,609 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 Rust Belt, where energy-intensive, coal-fired power producers and fuel-oil heating predominate. Not surprisingly, congressional

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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. Coal, natural gas and nuclear received only 44 cents, 25 cents and \$1.59 respectively.

Democrats representing these regions are cool to the idea that their constituents would be hit the hardest. To get them onboard, 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 one billion tons of offsets are also available for purchase from U.S. 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 Interna-

tional 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



Spain has been building solar and wind farms for almost 10 years and has found that for every renewable green job created, 2.2 jobs are lost. Green jobs come at a cost of \$754,000 per job. Like wind power, the U.S. currently subsidizes solar power at more than \$24 per megawatt hour. This Spanish solar farm produces eight megawatts per hour.

EU President Warns of “Fatal Consequences”

Václav Klaus, newly reelected president of the Czech Republic and current president of the European Union, gave a stern warning to the world during the March 2009 International Conference on Climate Change in New York City. He warned that it is “irrational” to blindly attack technologies using carbon-based energy without first developing economically feasible replacements. There is no known way “industrial economies can survive on expensive, unreliable” renewable energy. Not only is replacement with renewable irrational, but it can have “fatal consequences.”

During his talk, President Klaus condemned the blind acceptance by politicians that the United Nations Intergovernmental Panel on Climate Change’s (IPCC) “publications represent the [best] science” on global warming. They do not. Klaus told the audience, “These documents do not represent science, but politics and environmental activism.” The IPCC deliberately includes only science that supports its preconceived man-caused theory and ignores key peer-reviewed science that refutes it.

“Very respectable scientists,” asserts Klaus, “tell us quite persuasively that...there is no one unique, unprecedented climate change” due to man-caused greenhouse-gas emissions. Klaus has a Ph.D. in economics and has studied this issue in depth. “The climate sys-

tem of our planet has a significant internal [natural] variability.” Furthermore, he claims, the “hypothesis of anthropogenic [man-made] global warming is based...exclusively on the results of experiments with the very imperfect computer models.” The believers in this hypothesis, he notes, “are not able to explain why the global temperature increased from 1918 to 1940, decreased from 1940 to 1976, increased from 1976 to 1998, and decreased from 1998 to the present, irrespective of the fact that the people have been adding increasing amounts of CO₂ to the atmosphere.”

President Klaus believes the panacea of conversion to renewable energy is taking us down the slippery slope of nihilism. “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... [The] attack on today’s technologies is an irrational practice with fatal consequences. As far as I know, the existing and functioning technologies had never been abandoned before they were genuinely replaced by better ones. There arises—for the first time in history—a threat that the old technologies will be abandoned before new technologies become available.”

Klaus takes exceptional issue with environmentalists who inflame the fires of global-warming hysteria. “They [environmentalists]...do not want to reveal their true plans and ambitions: to stop economic development and return mankind centuries back.” Klaus concludes that, “the environmentalists don’t want to change the climate. They want to change us and our behavior. Their ambition is to control and manipulate us.”

Klaus asked this question during last year’s conference, “What is endangered? Climate or freedom? My answer is clear and resolute. It’s our freedom, and I might add, our prosperity.” He concluded his talk this year by warning, “The environmentalists speak about ‘saving the planet.’ From what? And from whom? One thing I know for sure: we have to save it—and us—from them.”—MC

draconian hit on our economy would lower earth's temperature by less than 0.09 degrees Celsius 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 lies 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

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 that 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. There are some big problems with this. 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 lie idle and solar panels are inactive.

emitting a lot of CO₂. This nonproductive cost is deadweight and has to be added to the cost of wind and solar. Wear and tear for wind turbines is high and solar photocells get dirty, resulting in substantial maintenance costs. 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. There are significant environmental impacts as well. Birds die when they fly into wind-turbine blades, and solar farms take 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.

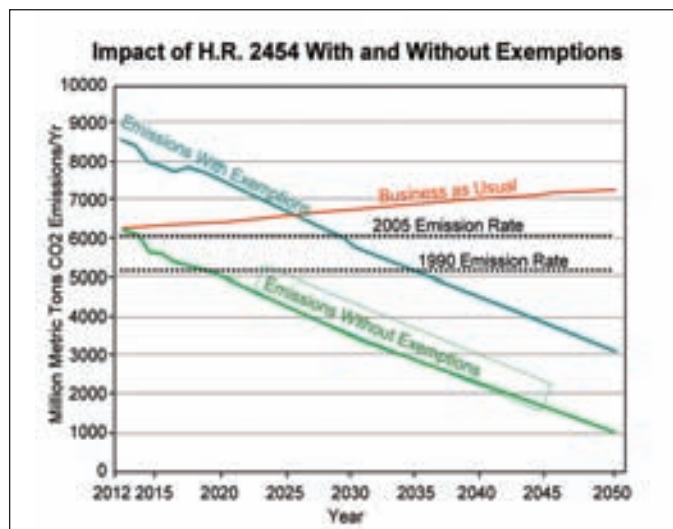
Then there is the NIMBY factor—Not In My Backyard. Just ask the Kennedy clan and other elites on Cape Cod who demand that the wind farm off the Cape be removed because it spoils their view. These are but a few of the problems.

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 United States, 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 its energy needs from renewables. During the campaign, Obama claimed that he would create five million new green, clean jobs in our transition to renewable energy. So, let's see how these countries have fared by converting to renewable energy.

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 five million new green jobs will only come at a cost of 11 million existing jobs. Worse, 90 percent of

So, what is going to power your air conditioner when the wind stops blowing on a sultry summer day? Or run your furnace when it is 20 degrees 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



The impact on CO₂ emissions before and after Waxman watered down H.R. 2454 to get the needed votes from the Midwestern and Eastern Democrats. Like typical politicians, the new bill postpones the harshest impacts until Waxman and Markey are no longer in office.

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, but emission rates have actually accelerated at a faster rate than those of the United States. Nations are even giving rebates to industries with skyrocketing energy costs in an attempt to keep them from fleeing to foreign soils. Meanwhile, all these machinations cost huge sums of money. Who pays for it? Taxpayers and consumers.

Eventually (after the crop of politicians who passed it retire or die) the exemptions phase out and the full weight of a 40-percent reduction of carbon emissions hits the U.S. economy like a tsunami. Waxman, Markey and Obama are way ahead of the ball on this one. They have choreographed everything so

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 were competitive, there isn't enough natural gas to make up for the loss of coal-energy generation. Congress made sure of that this past 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 "Has Congress Gone Mad," RANGE, Summer '09.)

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

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 counterproductive." The authors warn the United States that "the Spanish/EU-style 'green jobs' agenda now being promoted in the United States 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 developed to mitigate most of its seemingly endless limitations. But as Václav Klaus, 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." (See page 53.)

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

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 more than 32,000 scientists in the United States 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. 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 early fall. If you have never written your senator before, it is essential you do so now. The consequences are too severe to let this legislation pass. ■

Dr. Coffman is CEO of Sovereignty International, which co-sponsored the International Conference on Climate Change with the Heartland Institute and other concerned organizations. Over 700 leading scientists and participants from all over the world attended the conference. You can find addresses for senators at www.senate.gov.