UNITED STATES SENATE
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Proposal Hides an Iron Fist in a Green Velvet Glove

Clinton/Gore Global Warming Proposal Would Force Huge Energy Price Hikes in 10 Years

"We can meet this challenge if we muster the will. And that we must do, because this is not merely an imperative for the civilization of which we are so proud, it is a moral imperative. It's a matter of faith."
-- Vice President Gore, introducing the President prior to his global warming speech, 10/22/97

Yesterday President Clinton announced the Clinton/Gore position on the Climate Change Treaty being negotiated for possible signing in Kyoto, Japan, in December. What Clinton/ Gore provides, in short, is this: a promise to environmentalists to legally bind the United States to a 30-percent reduction of carbon emissions from fossil fuel use by 2012 through a series of modest measures to increase U.S. energy conservation through 2008 (which in theory would reduce carbon dioxide (CO2) emissions by one-third of the needed reductions), followed by dramatic increases in energy prices as needed to meet the target by 2012.

The Clinton/Gore proposal fails to provide any economic analysis of how the economy will survive the proposed fuel rationing scheme and/or massive energy tax that would need to be imposed in 2008 to obtain the remaining two-thirds of the emissions reductions required between 2008 and 2012. Perhaps the Vice President's assertion above best demonstrates the apparent environmental self-righteousness of this Administration that provides the rationale for them to ignore both the Senate's will, as expressed by the Byrd-Hagel Resolution (passed 95-0, 7/25/97), and the economic well-being of this nation.

1. Senate Said Treaty Must Not Cause Serious Economic Harm. This plan does not meet the Byrd-Hagel Resolution test of not causing "serious harm to the economy of the United States." On the contrary, it will obligate the United States to potential economic catastrophe through forced emissions reductions between 2008 and 2012. The President's press package (dated 10/22) admits that achieving 1990 levels by 2012 would amount to ***"almost a 30 percent reduction*** off a business as usual path." And, just like many of this president's past proposed federal budgets, all the heavy lifting comes well after he is gone from office: this proposal would not directly raise energy prices until 2008, but would require the vast majority of the reductions between 2009 and 2012 -- achieved through higher prices.

The Clinton/Gore plan's early years promote modest energy conservation ideas, including a $5 billion tax credit proposal (which is, of course, not funded). But they intend for these modest programs to fill the bill until 2008 (after Gore's presumed reelection?), when a federal "cap and trade" rationing scheme or energy tax would then do the heavy lifting to achieve the remaining cuts needed by 2012. According to the Administration's most optimistic study, released in September by the Department of Energy, only about one-third of the emissions reductions needed by 2012 can be achieved through "aggressive policies" that promote energy conservation. Even under this optimistic DOE study, energy prices would have to increase by at least $50 per metric ton of carbon (13 cents per gallon of gasoline, 1 cent per kilowatt hour, etc.) because that is what it would take for there to be enough economic incentive to achieve market penetration of efficiency technologies (such as fuel-cell powered vehicles) to reach the emissions-reduction target. However, private-sector studies using less optimistic technology assumptions project energy price rises at four times those levels in order to meet the 1990 emissions levels on time. (See RPC Papers, "Clinton's 'Think Globally, Tax Locally' Energy Plan," 10/22/97; and "Administration Expected to Defy Byrd/Hagel Resolution," 10/21/97.) Unfortunately, the fuse of this sugar-coated time bomb goes off at the same time as baby boomers are retiring and policymakers are coping with the welfare of an increasing elderly population, who suddenly, in a weakening economy, will be facing sharp energy price increases.

2.) Senate Said Treaty Must Include Developing Countries. The President said "the United States will not assume binding obligations unless key developing nations ***meaningfully participate*** in this effort." This is nothing close to "mandating new specific scheduled commitments to limit or reduce greenhouse gas emissions for Developing Country Parties within the same compliance period," as specified in Byrd/Hagel. In fact, just prior to the President's announcement yesterday, the Administration's chief negotiator in Bonn informed the other negotiators that the Clinton/Gore proposal "imposes no new substantive commitments on developing countries now." This express rejection of the Senate's will lends certainty to the fear that the President's plan will force U.S. jobs and wealth overseas to exempted countries.

3) Clinton/Gore Plan Will Not Stabilize World Emissions. Without emissions reductions by the 130 developing countries, all the economic losses the treaty will impose on the United States will be almost worthless in terms of stabilizing the concentrations of greenhouse gases in the atmosphere. The developing countries are projected to produce 60 percent of the world's greenhouse gas emissions within 20 years. By 2025, China alone will emit more greenhouse gases than will the United States, Japan, and Canada combined. Moreover, the export of U.S. jobs to developing countries simply will transport

CO_2 emissions to exempt countries. In Senator Hagel's words, "This is feel-good folly," and at great cost to the U.S. economy.

4) Clinton/Gore Plays Into Developing Countries' Desire for Cash. The motives of the developing countries are becoming increasingly suspect. Yesterday in Bonn the developing countries offered their treaty proposal, that the developed countries must reduce greenhouse gas emissions by 35 percent below 1990 levels by 2020, and must pay the developing countries fines for nonattainment of these goals. The fines would compensate developing countries for social, environmental or economic loss caused by the emissions-reduction actions taken by the developed countries. What this plan amounts to is a massive income-and-job redistribution from the United States to the developing world, and it raises questions about the sincerity of the developing countries in embracing the most apocalyptic global warming theories.