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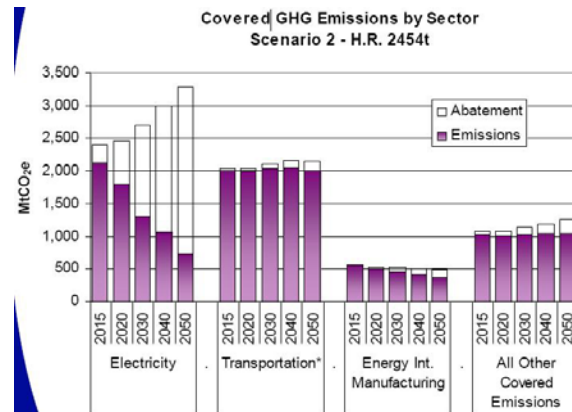
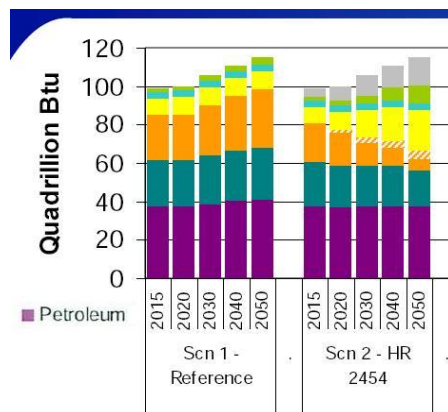
Cap-and-Trade: Little to No Help on Foreign Oil Dependence

Myth: Cap-and-trade will break our dependence on foreign oil.

Fact: The EPA predicts cap-and-trade will barely make a dent in petroleum use.

Some proponents of cap-and-trade legislation argue that it will lead to a new era of energy independence. For example, Rep. Henry Waxman, a sponsor of the House cap-and-trade bill,ⁱ said that “one of the best ways to accomplish the overall goal is through what’s called a cap-and-trade mechanism... We won’t have to import so much gasoline and oil from a lot of countries that certainly don’t look out for our interests...”ⁱⁱ

But an EPA analysis indicates that the cap-and-trade portion of the billⁱⁱⁱ – the most controversial part – would only very slightly reduce petroleum use (see the purple bar at the bottom of the chart on the left).^{iv} The chart on the right shows EPA’s projection of greenhouse gas (GHG) abatement, heavily focused on electricity.



EPA concluded that cap-and-trade would not “substantially change consumer behavior in their vehicle miles traveled or vehicle purchases at the prices at which low GHG emitting automotive technologies can be produced”; and “creates little incentive for the introduction of low-GHG automotive technology.”^v

Windmills, solar panels and other clean energy sources for electricity generation cannot displace oil as a transportation fuel in their near term, and EPA has concluded that cap-and-trade does basically nothing to reduce petroleum use. At the same time, it is clear that the world economy will need fuels derived from crude oil for years to come.^{vi} If the Administration is serious about reducing oil imports, then it should encourage domestic production of oil and renewable fuels, rather than propose cap-and-trade and other tax increases on domestic production.^{vii}

A cap-and-trade scheme that would not reduce the use of oil will not decrease our dependence on foreign oil.

ⁱ The American Clean Energy Security Act of 2009.

ⁱⁱ Interview on the Tavis Smiley show, April 13, 2009. Found here: http://www.pbs.org/kcet/tavissmiley/archive/200904/20090413_waxman.html; see also Treasury Secretary Geithner before the Senate Finance Committee on 3/4/09 (“cap-and-trade would increase the cost of energy...that’s necessary if you’re going to change how people use energy and make a serious effort to reduce energy in the - dependence on foreign oil and to address climate change.”).

ⁱⁱⁱ The EPA did not model the less controversial, non-cap-and-trade portions of the legislation, which could reduce petroleum use. More careful and precise proponents of cap-and-trade may speak about energy independence in terms of a *comprehensive* energy bill, realizing that cap-and-trade itself is little help. ^{iv} http://www.epa.gov/climatechange/economics/pdfs/HR2454_Analysis.pdf, p. 10.

^v EPA Appendix to analysis of HR 2454, 60. Found here: http://www.epa.gov/climatechange/economics/pdfs/HR2454_Analysis_Appendix.pdf.

^{vi} A recent Energy Department report on the long-term outlook for fuels highlights the need for more production. “Although world demand for liquids is dampened in the near term...a return to trend growth is expected over the long term as national economies recover.” Energy Information Agency, “International Energy Outlook, 2009,” p. 22.

^{vii} The Administration proposed billions in increased taxes on the oil and gas industry and actually proposed getting rid of a tax credit for enhanced oil recovery projects, arguing that it could encourage “overproduction of oil” that would be “detrimental to long-term energy security and is also inconsistent with the Administration’s policy of reducing carbon emissions and encouraging the use of renewable energy sources through a cap-and-trade program.” General Explanations of the Administration’s Fiscal Year 2010 Revenue Proposals, Department of Treasury, May 2009, p. 60. <http://www.treas.gov/offices/tax-policy/library/grnbk09.pdf>.