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Pelosi's Cap-and-Trade Energy Tax: Skyrocketing Costs, Disappearing Jobs, Struggling Economy All for Nothing?

Skyrocketing Costs to Families and Farms

- Under Obama and Pelosi's proposed energy tax – known as “cap and trade” – every American family would pay more when they turn on the lights, set their thermostat, or fill up with gasoline.
- As a candidate for president, then-Senator Obama admitted, “Under my plan of a cap-and-trade system, electricity rates would necessarily skyrocket.”¹
- Since energy is used to make and provide other goods and services, Americans would see higher costs across the board. Recent studies show that these “indirect” energy costs are nearly as high as “direct” energy costs of gasoline, electricity, and home heating fuel.² The director of the Congressional Budget Office testified it was unlikely any product's price would stay the same.³
- In testimony before Congress in April 2008 Peter Orszag said: “Under a cap-and-trade program, firms would not ultimately bear most of the costs of the allowances but instead would pass them along to their customers in the form of higher prices...price increases would be essential to the success of a cap and trade program.”⁴
- The CBO has projected that gross costs of compliance would go up an average of \$890 per household (some will go up by \$1,380) in 2020, one of the lowest cost years in the program.⁵ And that figure did not include any costs from a slowing economy or transition costs.
- A report by the Food and Agricultural Policy Research Institute found that a typical 1,900 acre corn, soybean and wheat farm in Missouri could see increased costs of \$11,649 in 2015 and \$30,152 in 2050.⁶

Bottom line: Skyrocketing costs of energy and everything else due to cap-and-trade.

Disappearing Jobs (and Lower Wages)

- Studies conducted for the National Black Chamber of Commerce (NBCC), the Brookings Institution, and the Heritage Foundation found that cap-and-trade would cost millions of jobs, even after accounting for new green jobs.
- A study of Speaker Pelosi's cap-and-trade bill sponsored by NBCC found that there would be between 2.3 million and 3.0 million fewer jobs in any given year, net of new green jobs.⁷
- The NBCC study found that workers would see lower wages – \$170 to \$960 less annually.⁸

Bottom line: 2.3 to 3.0 million fewer jobs due to cap-and-trade, even after new green jobs.

Struggling Economy

- The NBCC study found that GDP would be \$170 billion lower in 2015 and a staggering \$730 billion lower in 2050 than it would otherwise be.⁹ That is an economic hit to every man, woman, and child of \$522 in 2015 and \$1,663 in 2050.¹⁰

- The EPA, in one of its two models, predicted GDP would be as much as 2.05 percent lower and \$67 billion to \$727 billion lower in the years it examined out to 2050.¹¹ For context, the U.S. is projected to lose less than two percent of its GDP as a result of this recent economic crisis.¹²
- This simple fact – that the economy will suffer – means it is impossible to make everyone whole. You cannot divide up a smaller pie and have everyone get the same size piece they get today.¹³

Bottom line: Economic damage to every man, woman, and child in lost GDP due to cap-and-trade, including fewer jobs, lower wages, and less wealth.

Unilateral Action by U.S. Would Harm Economy and Environment

- According to the EPA, unilateral cap-and-trade in the United States will do next to nothing to fight global warming¹⁴ because developing countries are increasing their emissions.¹⁵
- China and India have recently reiterated that they will not agree to emissions reductions, even after developed countries, including the U.S., pledged an 80 percent reduction.¹⁶
- The U.S., the world’s number one manufacturer,¹⁷ would be at a competitive disadvantage because of higher energy costs compared to countries that do not cap emissions. Trying to level the playing field with tariffs could start a trade war and concerns President Obama.¹⁸
- If manufacturers leave the U.S. for countries without emissions caps and with weaker environmental controls, the result could be more emissions and pollution, not less. For example, steel mills in China emit two or more times the CO₂ of mills in the United States per ton.¹⁹

Bottom line: Cap-and-trade in the U.S. will not significantly reduce emissions and could harm the environment if other countries take no action.

¹ U.S. Senator Barack Obama, interview with the San Francisco Chronicle, January 17, 2008. <http://www.youtube.com/watch?v=ydqg7ThZB04>.

² See “Indirect Energy and Your Wallet,” Kenneth Green and Aparna Mathur, March 4, 2009. <http://www.aei.org/outlook/100017>.

³ Testimony before the House Ways and Means Committee, March 26, 2009.

<http://republicans.waysandmeans.house.gov/News/DocumentSingle.aspx?DocumentID=116686>.

⁴ Peter R. Orszag. “Implications of a Cap-and-Trade Program for Carbon Dioxide Emissions.” Testimony before the Committee on Finance, U.S. Senate. April 24, 2008. http://www.cbo.gov/ftpdocs/91xx/doc9134/04-24-Cap_Trade_Testimony.pdf.

⁵ “The Estimated Costs to Households From the Cap-and-Trade Provisions of H.R. 2454,” Congressional Budget Office, June 19, 2009.

<http://www.cbo.gov/ftpdocs/103xx/doc10327/06-19-CapAndTradeCosts.pdf>. The report also produced a net number of \$175 per household, but for reasons explained in RPC Energy Facts, “Incomplete CBO Estimate Does Not Include All Costs of Cap-and-Trade,” that figure is not complete.

⁶ “The Effect of Higher Energy Prices from H.R. 2454 on Missouri Crop Production Costs,” July 2009.

http://www.fapri.missouri.edu/outreach/publications/2009/FAPRI_MU_Report_05_09.pdf.

⁷ Analysis of HR 2454, version released on May 15, 2009. Found here: http://www.nationalbcc.org/images/stories/documents/CRA_Waxman-Markey_%205-20-09_v8.pdf

⁸ See “Impact on the Economy of the American Clean Energy and Security Act of 2009 (H.R. 2454)” prepared by CRA International for the National Black Chamber of Commerce (NBCC Study). http://www.nationalbcc.org/images/stories/documents/CRA_Waxman-Markey_%205-20-09_v8.pdf, p. 17.

⁹ NBCC Study, p. 7.

¹⁰ See NBCC Study, p. 21. Population estimates taken from Census Bureau: population estimates for 2015 and 2050 of 8/14/2008:

<http://www.census.gov/population/www/projections/files/nation/summary/np2008-t1.xls>.

¹¹ EPA uses two models: ADAGE and IGEM. ADAGE’s model revealed a very slight increase in GDP in 2015 and 2020, followed by decreases of between .37 percent and 1.3 percent from 2030 to 2050. See Appendix of “EPA Analysis of the American Clean Energy and Security Act of 2009, H.R. 2454 in the 111th Congress,” 6/23/09 (EPA Appendix), p. 64. http://www.epa.gov/climatechange/economics/pdfs/HR2454_Analysis_Appendix.pdf.

¹² See “World Economic Outlook Update,” January 28, 2009. <http://www.imf.org/external/pubs/ft/weo/2009/update/01/>.

¹³ Testimony of David Kreutzer, Heritage Foundation, at SRC/RPC hearing, March 30, 2009.

¹⁴ See “EPA Analysis of the Lieberman-Warner Climate Security Act of 2008,” March 14, 2008, p. 193.

http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf.

¹⁵ See “Greenhouse Gas Emissions: Perspectives on the Top 20 Emitters and Developed Versus Developing Nations,” Congressional Research Service, Report RL32721, December 24, 2008. <http://apps.crs.gov/products/rl/html/RL32721.html>.

¹⁶ See “U.S. Cap-and-Trade Without International Action: All Pain and No Gain,” RPC Energy Facts, July 9, 2009.

¹⁷ See, e.g., the United Nations Conference on Trade and Development data, found here:

http://stats.unctad.org/handbook/ReportFolders/ReportFolders.aspx?IF_ActivepathName=P/VIII.%20Development%20indicators.

¹⁸ See “Obama Wary of Tariff Provision,” Wall Street Journal, June 29, 2009,

http://online.wsj.com/article/SB124621613011065523.html#mod=rss_Politics_And_Policy; and “Obama Warns Against Trade Penalties in Energy Bill,” New York Times, June 29, 2009, http://www.nytimes.com/2009/06/29/us/politics/29climate.html?_r=1.

¹⁹ “An Assessment of Environmental Regulation of the Steel Industry in China,” March 2009, Alliance for American Manufacturing.

<http://www.americanmanufacturing.org/wordpress/wp-content/uploads/2009/03/chinaenvironmental-report-march-2009.pdf>.