

Sapping America's Energy

Global-warming legislation would drive up the cost of everything.

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If Americans don't start paying attention to what Congress is up to, our nation's energy policy may seriously change for the worse. A bill styled the American Clean Energy and Security Act, sponsored by Democrats Henry Waxman of California and Edward Markey of Massachusetts, soon goes before the House. The enactment of laws to combat global warming is an established priority of the new administration and Congress, and their impact on the lives and opportunities of America's people would be substantial and detrimental.

As Myron Ebell of the Competitive Enterprise Institute noted last month, "Waxman-Markey would put big government in charge of how much energy people can use. It would be the biggest government intervention in people's lives since the second world war, which was the last time people had to have rationing coupons in order to buy a gallon of gas." And for what? According to the U.N. Intergovernmental Panel on Climate Change, the Earth's average rate of warming in the 30 years from 1977 to 2007 was just 0.32 degree Fahrenheit per decade, and the global surface temperature has remained virtually flat since 1998.

The Waxman-Markey bill contains some serious mistakes. Slighting nuclear power is one. Nuclear plants generate no carbon dioxide or other pollution, and the 104 already in operation provide America with 73% of its CO₂-free electricity generation. It is estimated that each new nuclear plant would employ some 2,000 workers to build and 500 to 600 people to operate. America could use some 40 more nuclear plants, but in the Waxman bill and the Obama administration's policies, additional nuclear power plants are likely nonexistent.

Cap-and-trade policies are another part of the bill intended to give the government more regulatory authority over the energy industry and a great deal more money--perhaps trillions of dollars--some of which would be available to grant to favored people and industries. The bill's outline does not say who would the energy allowances free, who would have to pay for them, and how much they would pay, but it does intend to make energy much more expensive and less available to consumers. Electricity, oil and large manufacturing businesses (which are jointly responsible for 85% of America's greenhouse emissions) would have to obtain at some price federal government pollution permits--"tradable federal permits," or "allowances," for each ton of CO₂ emitted into the atmosphere. These permits would require reduced plant emissions over time, from a mandate of 3% below 2005 levels in 2012, to 20% in 2020, 42% in 2030, and 83% in 2050.

Another economic mistake at the core of the Waxman bill is the reinstatement of protectionism. Since America's energy restrictions would not apply to manufacturers of goods America imports, unregulated foreign companies could sell their goods in America at lower costs, and thus U.S. manufacturers could be "put at a disadvantage relative to overseas competitors." The Waxman bill would seek to remedy this by making companies eligible for rebates determined and allocated by Washington. If the president found that the rebates "do not substantially correct competitive imbalances" he could establish what Mr. Waxman calls a "border adjustment program" that would require foreign companies to pay for special allowances to "cover" the "carbon contained in U.S.-bound products."

In other words, America would add an international carbon tariff--a global energy tax--to imported goods (just as there was in the Boxer-Lieberman bill that was defeated last year). That would amount to strong protectionism and lead to matching tariffs on goods exported from America.

Not included in the Waxman discussion draft summary is the question of what will become of the cash the government would receive from selling the cap-and-trade allowances. In the Boxer-Lieberman bill, it was estimated that auctioning off half the permits would gain the government some \$3.3 trillion by 2050, and that would be handed out by the government to pet projects like "environmental" job training, "wildlife adaptation," international aid, domestic mass transit and so on.

But rather than creating a new subsidy, wouldn't we be better off distributing those revenues to the American people, who would have to pay the carbon tax through higher-priced electricity and manufactured goods? Such an idea was recently offered by author Peter Barnes: send the trillions of dollars received from the companies buying the permits to people as a "cap-and-trade dividend" in the form of equal personal checks for all Americans. The Obama administration thinks the opposite--that a majority of the money raised by cap-and-trade should be sent only to taxpayers making under a certain amount as a part of his Making Work Pay credit.

The Waxman-Markey plan intends to give the federal government near-total control of America's energy supplies and usage. Depending upon how the allowances are organized, it may also create the largest redistribution of money from American families to the federal government since the creation of the American income tax. To keep America prospering, our economy growing, and jobs expanding, we need not less energy, but more of it; not higher energy prices but lower ones; and more energy generation through nuclear power, clean coal and offshore oil and gas as well as possible new energy sources. Waxman-Markey will take us in one direction, but to keep America prospering we need to go in the opposite one.