



June 3, 2008

Climate Change Policy Approaches

The United States needs to be a leader in pursuing clean energy solutions that will produce energy more efficiently, reduce emissions, decrease our reliance on foreign oil, and create new markets for American innovation. Effective policies will ensure that any reductions in U.S. production of greenhouse gases are not simply overwhelmed by a continuing increase in foreign emissions. Responsible legislation will carefully weigh the economic consequences and ensure that families and workers are protected while global fairness is maintained.

Approaches for effective and responsible climate change legislation:

- **We must proceed in an economically-responsible manner with full and complete knowledge of the costs and economic implications of climate change legislation:** Limiting carbon emissions will force our economy to bear unprecedented costs. Indeed, the very purpose of cap and trade legislation is to put a price on carbon emissions and force economic activity to bear the burden of that cost. The Environmental Protection Agency (EPA) estimates that S. 3036 will cause a reduction in GDP of between 0.9 percent and 3.8 percent by 2030, an increase in electricity prices of more than 40 percent by 2030, and an increase in gasoline prices of \$0.53 per gallon in 2030 and \$1.48 in 2050.¹ Americans should understand how much more expensive energy will become should climate change legislation become law. These added costs will have corresponding implications to the economy and on economic growth that must be understood by the American people before Congress acts on such a major piece of legislation.
- **Climate change legislation should not make the United States more dependent on foreign sources of energy:** *Americans are currently paying nearly \$4/gallon*, a premium driven most significantly by the record price of crude oil traded on the global petroleum market. Because the United States imports almost 60 percent of its petroleum, its continued supply of gasoline is in the hands of foreign producers. Climate change legislation should not worsen this import dependence. Similarly, because the fuels of tomorrow's transportation sector may include the use of more natural gas and electricity, responsible climate legislation should not hurt U.S. production and make the United States more dependent on foreign supplies of any energy type.

¹ See EPA, "Key Results & Insights," slide 5, at:
http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf.

- India, China, and other international competitors must be part of the solution:** Atmospheric concentration of carbon dioxide (CO₂) is a global problem that demands a global solution. Carbon dioxide and other greenhouse gas (GHG) emissions are unlike any other pollutants we have faced in the past because the impact is truly global rather than linked to the source of pollution. The latest estimates indicate that China has overtaken the United States as the leading emitter of carbon dioxide. Its emissions are now increasing about 10 times faster than those of the United States, and a recent report predicted that by 2030 China's emissions will equal the emissions of the entire world today.² Any climate change policy which Congress considers must include global commitments; otherwise we will put the U.S. economy at a significant disadvantage without the benefit of actually stopping carbon-related climate change.
- Climate solutions should be driven by a realistic understanding of what technology can deliver:** Legislation must consider targets that are achievable now rather than mandating what technology cannot deliver. At the same time, a number of policy tools, including tax incentives, loan guarantees, bonds, and other strategic government investments in partnerships with private sector actors, can generate new technological possibilities and accelerate gains in energy efficiency and emissions controls. Legislation must focus on the development of policies to enhance the diffusion of these new technologies into the marketplace while setting achievable goals.
- We must recognize that climate legislation must be about promoting environmentally-responsible energy sources, not just about climate change:** Nuclear energy must be a major part of the solution to climate change. Nuclear energy is carbon-free, proven, and viable, and must occupy a central role in any plan to move the U.S. away from a carbon-intensive economy.
- Fees, taxes, and revenues flowing from climate change legislation must be handled responsibly, transparently, and in a manner that protects family budgets and American workers:** S. 3036 is projected to generate massive flows of new revenues. The *Wall Street Journal* reported that "the Congressional Budget Office estimates that auctions [of allowances under the bill] would net \$304 billion by 2013 and \$1.19 trillion over the next decade. Because the government controls the number and distribution of allowances, it is also handing itself the political and legal right to influence the price of every good and service in the economy."³ Policymakers must understand that new taxes on carbon emissions will be paid by American families. Furthermore, auction revenues should not be used to concentrate power in Washington by picking winners and losers among industries. Finally, policymakers must avoid unnecessarily expanding the size of the federal government.

² Ning Zeng, et al., *Science*, "Climate Change--the Chinese Challenge," February 2008.

³ *Wall Street Journal*, "Climate Reality Bites," May 27, 2008.