

The Big Chill

Congress shouldn't fight global warming by freezing the economy.

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Two months ago [this column](#) offered an analysis of the Waxman-Markey global warming bill, its enormous cost and its practical impossibilities.

Sometime in the next few weeks Congress will begin consideration of the bill, one of the priorities of the Obama administration and the Al Gore enthusiasts who think that Earth will die unless the governments of the world regulate our electricity, energy, autos, economies and backyards.

They do not seem to believe that energy is of any significance to our economy or our people. But the truth is it matters to all of us--to those who drive, heat our houses and run businesses, cities, towns, hospitals and schools.

So they have put together the "cap and trade" bill, the goal of which is to control the annual amount of CO₂ emissions that will be permitted. First comes setting the "cap," the amount a business is permitted to emit, and then "trade," allowing them to buy permits to emit more CO₂ or sell permits if their emissions are lower. It will be the largest and widest intervention by government into the lives of Americans since the 1940s.

The Manhattan Institute's Jim Manzi concludes that the benefits of Waxman-Markey would not be much. Historical data show that the average rate of warming in the 30 years from 1977 to 2007 was just 0.32 degree Fahrenheit per decade. The expected warming in the next hundred years is estimated to be about 0.50 degree Fahrenheit per decade, and the new bill is estimated to lower global temperatures by about 0.18 degree Fahrenheit by 2100. Manzi estimates the additional economic costs of the bill would be 0.8% of gross domestic product, while the economic benefits would be just 0.08%--so the costs would be 10 times the benefits.

The cost of reducing emissions turns out to be greater than the cost they impose on societies. According to a 1999 Federal Reserve Bank of Dallas estimate, the emissions cuts the Kyoto Protocol would have required in 2010 were likely to reduce America's

GDP by \$275 billion to \$468 billion, or \$921 to \$1,565 per person, and of course Kyoto does not apply to fast-growing developing countries such as China and India.

An April study by Charles River Associates tells us that if the Obama proposal to reduce CO2 emissions becomes law, it will have a serious impact on the availability and cost of energy. By 2025, just 16 years from now, the cost of natural gas would rise 56%, electricity 44% and motor fuel 19%. Annual household purchasing power would annually decline by an average of \$1,827. And America will lose 3.2 million jobs.

There are alternatives. Earlier this month the National Center for Policy Analysis (for which I serve as policy chairman) issued a global warming analysis titled "[10 Cool Global Warming Policies](#)." Among them: eliminating energy subsidies and barriers to nuclear power, establishing biotech crops, reducing automobile pollution and developing new technology.

The starting point is the scope of our government's existing energy subsidies. They total nearly \$17 billion annually--including \$4.9 billion for renewable energy (wind, solar, geothermal, hydroelectric), \$3.3 billion for coal, \$2.1 billion for natural gas and petroleum liquids, \$1.3 billion for nuclear power, and \$1.2 billion for electricity. Many of these subsidies actually encourage carbon emissions by reducing the cost of energy from coal and petroleum. Eliminating them would be a good first step in letting the market, as opposed to the government, control energy emission costs.

Nuclear power is the only emission-free energy technology that can significantly reduce carbon emissions. America's nuclear plants avoid nearly 700 million metric tons of CO2 emissions each year. But the government has made the construction of nuclear plants almost impossible. Of those currently operating in the U.S., the newest one was built starting in 1977. Of the 45 nuclear power plants now under construction world-wide, only one is in America.

Energy use is of course a source of greenhouse gas emissions. As the study says, "Petroleum used in transportation and industrial production accounts for 44 percent of energy related CO2 emissions; coal accounts for 36 percent, and natural gas for 20 percent." Unfortunately the popular modern energy priorities--corn based ethanol (which government subsidizes at 51 cents a gallon for the 36 billion gallon production the Congress has required by 2022) instead of reducing carbon emissions increases them over time, and wind and solar power--good ideas that we should keep working on--only supply electricity 30% to 40% of the time.

Energy development and creation have been essential to America's success over the past several centuries, and they are important for America's future. But the Obama-Waxman-Markey legislation has it backwards: By reducing energy availability, their proposals would kill jobs, reduce purchasing power, shrink the economy, and raise the cost of every fuel we use.

All of which would have almost zero impact on global warming. America cannot go forward successfully with this kind of thinking. We need nuclear power, more oil and gas to support our increasing energy needs, and a clear understanding that depriving us of energy, as this bill would do, would be a very substantial mistake.