

BRIEF ANALYSIS

No. 238

For immediate release:

Wednesday, August 20, 1997

The Global Warming Treaty: For U.S. Consumers — All Pain, No Gain

United States negotiators seem intent on signing a treaty this December in Kyoto, Japan, that would drastically curtail energy use in an effort to restrict emissions of greenhouse gases. These gases, including carbon dioxide and methane, trap solar radiation in the atmosphere and warm the earth, making it habitable. If the Clinton administration signs the treaty and the Senate approves it, American consumers will suffer.

Loss of American jobs and reduction of American living standards might be justified if the treaty would ensure a cleaner, safer environment for us and our children. But scientific analyses suggest that it will not. Signing the treaty will be all pain and no gain.

Do Greenhouse Gases Need Controlling? Ground-level measurements of temperature indicate that the earth has warmed between 0.3 and 0.6 degrees Celsius in the last century. Further, atmospheric carbon dioxide (CO₂), a primary greenhouse gas, has increased by approximately 25 percent in the last century and a half.

Periodic warming and cooling of the earth are natural phenomena. However, some scientists believe the earth's current warming is due to the increase of CO₂ in the atmosphere and that the cause of this increase is the human use of fossil fuels (oil, coal and gas). If current trends continue, these scientists estimate a temperature increase of 0.8 to 3.5 degrees Celsius over the next 100 years — resulting in glacial melting, coastal flooding, increased tropical storm activity, droughts and outbreaks of tropical diseases.

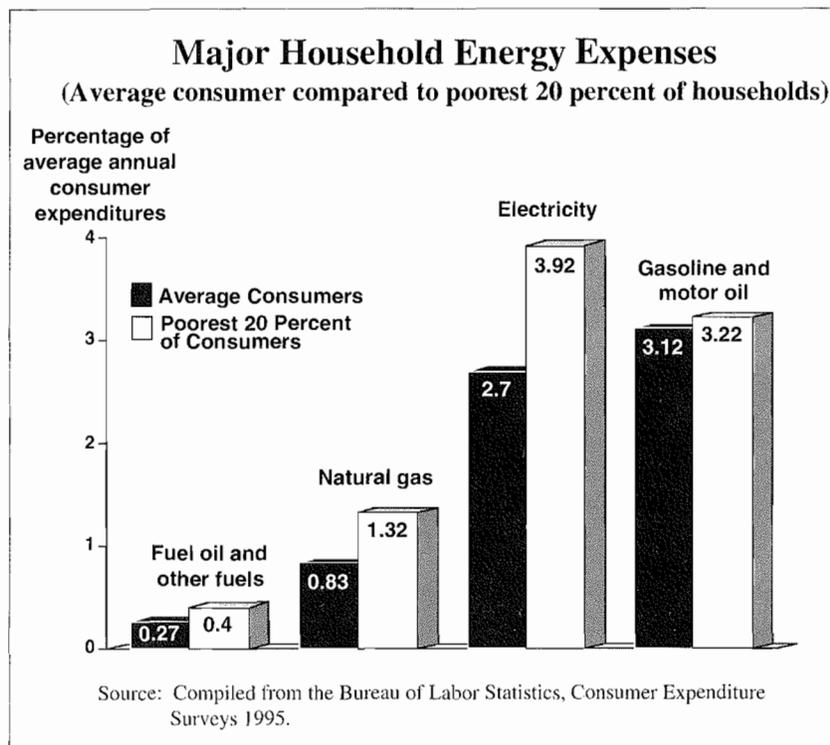
Yet there is little evidence that increased CO₂ has played more than a small part in this century's temperature increase. Most of the warming occurred prior to the 1940s, before the vast majority of human-caused CO₂ emissions. And data from global satellites and weather balloons, the most accurate sources of information on climate trends, show no evidence of warming over the past 19 years.

Solutions in Need of a Crisis. Proposals being discussed would reduce greenhouse gas emissions in developed countries to 15 or 20 percent below 1990 levels over periods as short as seven to 12 years. Such substantial cuts cannot be achieved through minor reductions in energy use. Setting air conditioner thermostats at 78 instead of 72 degrees, or replacing 75-watt

with 60-watt light bulbs would not enable the United States to meet the new emissions limits. Doing so would require drastic reductions in energy use in Americans' everyday lives.

To achieve such reductions, proponents are discussing both a carbon tax on fossil fuel emissions from the burning of coal, oil and natural gas and a "cap and trade" approach, a form of energy rationing under which "emissions permits" would be traded in international markets. In a bruising budget battle in

1993, the Clinton administration faced substantial opposition to direct energy taxes when it proposed a BTU tax, and it backed away from proposed new energy taxes because their impacts were too obvious. A 1994 Environmental Protection Agency internal document assessing available options stated, "A cap would likely not be as unpopular as a tax, since people are generally less familiar with the concept," revealing the bureaucrats' cynicism toward the American public.



Other options include combining energy taxes with massive subsidies for or mandated use of “alternative technology” such as ethanol or electric cars or “renewable energy sources” such as windmills and solar panels. These would compel people to switch from coal, oil and natural gas — while providing huge profits to politically preferred companies.

Delivering Third-World Gains. The Kyoto treaty would exempt developing countries including China and Indonesia from complying with greenhouse gas limits, while imposing heavy restrictions on industrialized countries. The big losers would be U.S. consumers. That’s because any plan that made energy less abundant would significantly lower American living standards.

Consumers are direct users of oil, natural gas and electricity in their homes and for transportation. They are the end users of products — food, home building materials, appliances, furniture, cleaning and personal care products — whose manufacture and transport require energy. Analysts estimate that reducing or eliminating this heavy reliance on energy would be devastating:

- Electricity costs would increase 52 percent.
- Household fuel prices would jump 50 percent.
- Gasoline prices would rise 60 cents per gallon to meet 1990 emissions levels.

Energy taxes and greenhouse gas emissions restrictions would affect all Americans to some degree in virtually every aspect of their lives:

- Homes would be smaller and more expensive, since fewer houses would be built and “sealed” buildings would trap indoor air pollution and increase respiratory problems.
- People would reset their thermostats and would be colder in the winter and hotter in the summer.
- The costs of fresh and prepared foods would rise.
- Families might face drive-time restrictions and gasoline rationing that would cause long lines and waiting times at service stations.
- Poor and middle-income families would be forced to restrict their recreational activities.
- Special energy taxes would increase the cost and decrease the convenience of air travel.
- Costs of nursing home, day care center and hospital services would rise along with energy costs.
- Costs of police, fire departments, schools and other municipal services would rise, leading to tax increases or service cutbacks at the local level.

U.S. Consumers’ Pain. While all consumers would bear the brunt of the treaty’s reductions, the poor, those on fixed incomes and those in rural areas would be the hardest hit, along with those employed in energy-reliant industries. Climate-change policies would create arbitrary gains and losses outside of anyone’s control. For example:

- Those who live in areas using coal to produce electricity would find sharp increases in their electricity bills.
- People who live in large, sparsely populated states or in rural areas would suffer most from high gasoline taxes.
- People who live in older, draftier homes and own older appliances would pay disproportionately more for energy than those in newer homes.
- Senior citizens on fixed incomes would face steep increases in utility bills and might suffer severe health effects from heating and air-conditioning cutbacks and reduced spending for food.

Climate-change policies would exacerbate our nation’s trend towards unequal distribution of income. According to Dr. Gary Yohe, professor of economics at Wesleyan University, the poorest one-fifth of the population would suffer the most from carbon emission taxes or other fossil fuel restrictions. Since the poor pay a larger share of their income for utilities and fuels than average consumers (8.86 percent vs. 6.9 percent), they would find it harder to subsist. [See the figure.]

Conclusion. A growing number of scientists recognize that the risks associated with global warming are highly speculative. But the risks from restrictive energy policies are very real. The weaknesses in the climate models and the certainty of economic harm led more than 100 scientists, including a former president of the National Academy of Sciences, to sign the 1995 Leipzig Declaration warning, “In a world in which poverty is the greatest social pollutant, any restriction on energy use that inhibits economic growth should be viewed with caution.”

Before U.S. negotiators agree to binding targets and timetables to reduce energy use, Americans must analyze, discuss and debate their dubious benefits and their potentially catastrophic consumer costs.

This Brief Analysis is based on a presentation by Frances B. Smith, Executive Director, Consumer Alert, and Coordinator, National Consumer Coalition, at the NCPA-sponsored briefing Truth, Myths and Impacts of Global Warming, June 13, 1997.