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[Climate and Policy Experts Warn Watered Down Cap-and-Trade Bill Won't Prevent Catastrophic Climate Change](#)

05/15/2009 by James Handley

The Carbon Tax Center and the Climate Crisis Coalition issued this press release today:

[Washington, DC] “The revised Waxman-Markey climate bill is too watered down to qualify as a positive step for avoiding catastrophic climate disruption,” said [Dr. James Hansen](#), leading climate scientist and prominent advocate of a revenue-neutral carbon tax to curb climate change.

Hansen was referring to an announcement by House Energy & Commerce Committee Chairman Henry Waxman of a revised version of “The American Clean Energy and Security Act of 2009,” the cap-and-trade bill known as Waxman-Markey, which now goes to [markup](#) in the Energy & Commerce Committee.

The revised bill's greenhouse gas emissions "cap" would aim to cut 2020



emissions to only 14-17% below 2005 levels, well short of the 20% reduction in the [March 31 Waxman-Markey discussion draft](#). Many scientists have concluded that even 20% reductions by 2020 would be woefully [insufficient](#) to head off catastrophic climate change. The revised draft allows firms to purchase "[offsets](#)" amounting to almost half of current U.S. emissions.

Those weak reduction goals combined with large quantities of offsets would allow U.S. emitters to [postpone](#) substantial emissions reductions for at least another decade, according to Hansen. "The fundamental problem is that dirty fossil fuels are the cheapest energy," he said. "We must increase the price of fossil fuels steadily and predictably so that efficiency and renewables can supplant fossil fuels."

Waxman-Markey's "[Proposed Allowance Allocation](#)" released today takes the opposite approach, giving away 85% of allowances (emission permits), overwhelmingly to industry, assertedly "to protect consumers from energy price increases." But it's far from clear that handing free allowances to industry would "protect" consumers. Furthermore, any muting of price signals would undermine a key incentive to reduce emissions. Douglas Elmendorf, director of the non-partisan Congressional Budget Office [testified](#) to the Senate Finance Committee on May 7 that:

Firms that used [cap-and-trade] emission allowances for CO2 would generally pass along to consumers the cost of using those allowances in the form of higher prices for their products — regardless of whether the government sold emission allowances or gave them away. Such price increases... would be the most important mechanism through which businesses and households were encouraged to make investments and behavioral changes that reduced CO2 emissions.

Waxman-Markey's provisions giving away carbon allowances to industry would leave far less money available to help consumers cope with higher energy prices, for example by [recycling revenue](#) back to taxpayers, through direct "dividends" or offsetting tax deductions.

President Obama often [pledged](#) during the 2008 campaign to [require](#) 100% auctioning of permits under a cap-and-trade bill, instead of giving them away for free as [windfalls](#) to polluting industries. As recently as last week, the Administration's OMB director, Peter Orszag [suggested](#) that there would be "no change" in that position.

Policy experts and a [series of CBO reports](#) also raise grave concerns about the tendency of carbon trading to increase energy price volatility, as well as the potential for "gaming the system" inherent in the approach. Economists and experts [warn](#) that trading allowances will spawn a lucrative secondary market speculating in derivative products which would further aggravate price volatility.

Clinton Administration Undersecretary of Commerce [Robert Shapiro](#), who heads the [U.S. Climate Task Force](#), recently wrote that after the Wall Street meltdown, carbon trading looks like a “[dead policy walking](#).” Both Hansen and Shapiro have [urged](#) policymakers to support a simpler and more transparent alternative of setting prices through a carbon tax which would increase gradually and whose revenues would be recycled back to taxpayers. This would raise carbon prices in an orderly, predictable way without subjecting consumers to price volatility and without delivering windfall profits to companies receiving free allowances or fueling speculative trading on secondary markets.

“Predictably raising the price of carbon-based fuels is essential to promote investment in low-carbon renewable energy and efficiency,” said Charles Komanoff, economist and co-director of the [Carbon Tax Center](#). Komanoff suggested that “We will need a range of policies to avert climate disaster, but without clear, orderly price signals, there simply is no hope of creating the economy-wide incentives we need to become a low-carbon economy.”

“There is a time to compromise -- to accept the best that you are likely to get. This is not one of those times,” said Tom Stokes, coordinator of the [Climate Crisis Coalition](#). “We understand the need to get behind an effective climate bill. Dr. Hansen's scientific findings are serious and compelling. Waxman-Markey doesn't come close to addressing the dire challenge we all face. As a model for effective and fair climate legislation, we urge the Energy and Commerce Committee to take a hard look at Rep. John Larson's carbon tax bill, [America's Energy Security Trust Fund Act of 2009](#) (H.R. 1337). Larson's bill combines aggressive goals, quick implementation, predictable carbon fees and an equitable recycling of the revenues back to the people.”

Photo: Melting Greenland Ice Cap by Gary Jordan (flickr)

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1. Excellent write-up!

The Waxman-Markey climate bill, in such form as it is developing into, will be as effective at limiting Greenhouse Gas emissions as a lobotomized, spayed bull at breeding more cattle. Its passage would be worse than nothing, as it gives some impression of doing something.

Just as the accumulating scientific evidence makes plainer every day that Global Warming is taking place and that anthropogenic emissions are the lead driver, accumulating socio-economic and political evidence makes plainer every day that the Carbon Tax should be the lead driver along the road to climate stability.

Action is needed now, along with real Leadership. Sowers of discord confuse climate discourse and obfuscate not only the understanding of the phenomena but also discussion of actions to be taken to protect the climate.

The Five Blind Men have studied the elephant; however, they have studied it long enough to recognize what it is and to understand what is to be done. No longer will these blind lead each other and us into the Pit.

At present, I keep pestering my Representative and Senators in Washington. And bending folks' ears when the opportunity presents itself. I would appreciate advice.

Comment by David Collins — May 15, 2009 @ [7:41 pm](#)

2. Lobbyists have our elected officials ears. It takes a monumental effort on the behalf of the public for our voices to be heard, however, voting them out of office or a revolution usually works. Pitchforks & torches anyone?

Comment by Pat — May 18, 2009 @ [1:43 am](#)

3. [...] Carbon Tax Center Climate and Policy Experts Warn Watered Down Posted by root 16 minutes ago (<http://www.carbontax.org>) The revised bill greenhouse gas emissions cap would aim to cut 2020 greenland ice melt1 emissions to only 14 17 below 2005 comment by david collins may 15 2009 7 41 pm powered by wordpress designed by nick grossman Discuss | Bury | News | Carbon Tax Center Climate and Policy Experts Warn Watered Down [...]

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5. interesting critique on carbon trading

Comment by [Ricardo Coelho](#) — July 21, 2009 @ [7:07 pm](#)

6. [...] and Trade: Many of President Obama’s campaign promises for a robust cap-and-trade system have been watered down by a coalition of so-called “Brown [...]

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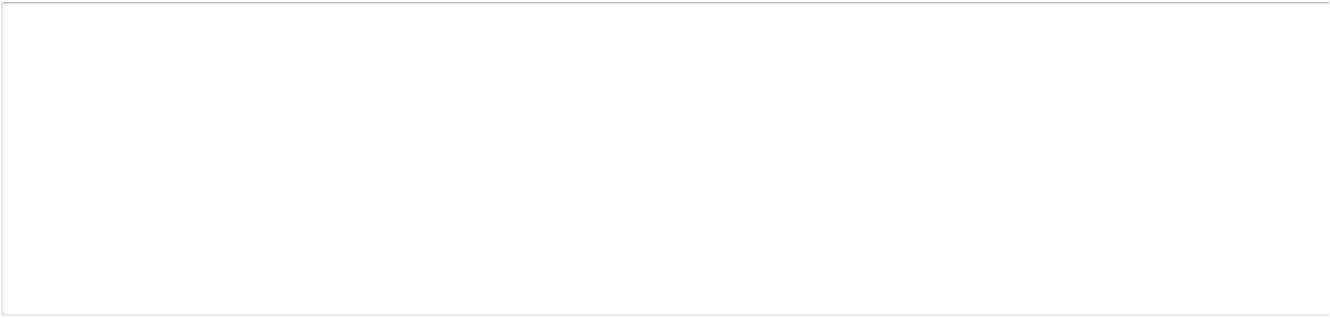
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August 19th, 2009

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