

Congress Should Not Regulate Carbon Dioxide (CO₂) Emissions

During debate on S. 14, the Senate's Energy Policy Act of 2003, Senators Lieberman and McCain may offer an amendment to cap carbon dioxide (CO₂) emissions and to impose a mandatory reporting requirement of greenhouse gases on business and industry. Regulating CO₂ would harm our nation's economy; threaten U.S. jobs and competitiveness; raise energy and electricity prices for consumers; and further exacerbate supply and demand imbalances in natural gas markets. In addition, mandating new federal greenhouse gas (GHG) data collection would be an unnecessary and costly burden.

Key Reasons Why Congress Should Oppose Efforts to Regulate CO₂:

- **Job losses and the economic decline would be significant.** Any mandatory regime to cap CO₂ emissions would require the U.S. to make deep and immediate cuts in our economy to meet an arbitrary target. According to the Energy Information Administration (EIA),¹ here's what would happen by 2010 upon implementation of a Lieberman-McCain-like program:
 - Real GDP would drop at least \$100 billion below the baseline, 1 million jobs would be lost, and disposable income would fall by more than \$70 billion due to lower wages and fewer jobs.
- **Energy prices would skyrocket.** Numerous studies have shown that efforts to regulate CO₂ emissions will result in significantly higher energy and electricity prices across all sectors.

Impact on Electricity Prices

EIA estimates that industrial facilities face potential electricity price increases of up to 40 percent by 2010, with consumers facing price increases of nearly the same level.

Impact on Gasoline Prices

EIA estimates gasoline prices would increase about 20 cents per gallon under a Lieberman-McCain-like program.

Impact on Natural Gas Prices

Natural gas prices would be highly volatile, with price instability due to fuel switching from coal to natural gas in existing electric generating units. The movement from coal to gas would further exacerbate the current supply demand imbalance in gas markets and produce additional upward price pressure and volatility.

¹ See, Energy Information Administration, *Impacts of the Kyoto Protocol on U.S. Energy Markets and Economic Activity*.

- **U.S. competitiveness would be harmed.** Higher energy and electricity prices will lead to higher product prices, decreased production, and decreased sales, all of which will seriously impact U.S. companies' ability to compete with international companies not subject to such price increases. As industries are forced to shut down or move overseas, EIA estimates up to 1 million jobs could be lost, which would particularly affect the chemical, petroleum, manufacturing, and primary metals sectors.
- **America's homes and small businesses would be targets for GHG emissions reductions.** Making reductions in emissions from all sectors would require efforts aimed at the residential, commercial, and transportation sectors, where the largest growth in GHG emissions is occurring.

Why Congress Should Oppose Efforts to Require Mandatory Reporting of GHGs:

- Considerable energy and GHG **information is already collected and aggregated** on a national basis by EIA and the Environmental Protection Agency. Mandating new federal greenhouse gas data collection beyond existing programs could impose billions of dollars in new and unnecessary costs and paperwork burdens on businesses without demonstrable justification or benefit and without clear purpose.

The U.S. Is Taking Action to Address Climate Change Concerns:

- The U.S. has set a national goal of reducing the GHG intensity of the economy 18 percent in the next decade through voluntary programs. Meeting this commitment will prevent 400 million metric tons of GHGs annually from entering the atmosphere—a goal comparable to the average progress that nations participating in the Kyoto Protocol are required to achieve.
- Industry sectors are aggressively responding to this challenge. On February 12, 2003, a new voluntary program, "Climate VISION" (Voluntary Innovative Sector Initiatives: Opportunities Now), was launched, featuring initiatives by 12 industry sectors—representing 90 percent of industrial U.S. GHG emissions—to reduce GHG intensity in the next decade and, in some cases, beyond.
- In addition, the U.S. is engaged in extensive international efforts on climate. The U.S. has developed bilateral agreements with numerous nations (including China, India, Japan, and the European Union) to provide additional research and climate observation systems and to spur the technologies that will be most beneficial to developing nations in their efforts to reduce GHGs.
- The only way to successfully address the climate change issue is through global, long-term, technology-based efforts that allow for continued economic growth. Examples of U.S. technology-based actions to reduce GHGs include:
 - **FutureGen**—a \$1 billion, 10-year advanced technology demonstration project to create the world's first coal-based, zero-emissions electricity and hydrogen power plant.
 - **Hydrogen-Based Initiatives and FreedomCAR**—launched last year, these programs will provide \$1.7 billion over the next 5 years to develop hydrogen-powered fuel cells, a hydrogen infrastructure, and advanced automobile technologies, with commercialization by 2020.
 - **Development of Advanced Nuclear Plants**—In mitigating greenhouse gases, CO₂ emissions avoided by non-emitting technologies, such as nuclear power plants, are just as important as emissions reduced. Financial incentives are needed to support construction of new nuclear energy facilities, which are the largest expandable source of non-emitting electrical generation.