House Energy & Commerce Committee

Republicans

Joe Barton
Ranking Member

http://republicans.energycommerce.house.gov/

August 2009 Fact Sheet on the Waxman-Markey Cap-and-Trade Bill

Waxman-Markey is a Job-Killer

- CRA International analyzed the Waxman-Markey cap-and-trade bill for the National Black Chamber of Commerce. CRA's analysis predicts the loss of 2.3 million to 2.7 million jobs per year through 2030. These reductions are net reductions that take into account any green jobs that may be created. While all regions of the country would be adversely impacted, the West, Oklahoma/Texas and the Mississippi Valley regions would suffer the most.

- The Heritage Foundation has analyzed the sectors of the U.S economy that would be hardest hit with job losses over the 2012-2035 timeline.
    - Construction – more than 1 million jobs lost
    - Manufacturing – 400,000 jobs lost
    - Transportation Equipment Sector – more than 78,000 jobs lost
    - Chemical Industry – more than 25,000 jobs lost
    - Wood Products – more than 23,000 jobs lost
    - Machinery – almost 81,000 jobs lost
    - Paper, Plastics and Rubber – more than 33,000 jobs lost
    - Electrical Equipment & Appliances – 23,000 jobs lost

- If the House-passed cap-and-trade bill becomes law, jobs will be heading to foreign competitors like India and China which have stated repeatedly that they will neither cap emissions nor enact a national energy tax of their own. (See China-India information below.)

- This bill hits working class Americans particularly hard. The chairman of the Congress of Racial Equity recently stated: "In my 40-plus years as CORE's Chairman, I have seen few federal bills that would do more harm to America's working class and low-income citizens and families than the Waxman-Markey climate tax bill."

- Democrats ignore the thousands and thousands of jobs that could be created with the expansion of nuclear power or opening up the Outer Continental Shelf (OCS) and Alaska National Wildlife Reserve (ANWR) to exploration for energy. These jobs could be realized with the Republican "all-of-the-above" energy plan.

Waxman-Markey Raises Energy Costs for Every Household

- President Obama has said that energy costs will "necessarily skyrocket" as a result of cap-and-trade. These higher prices will show up not just in electricity bills or at the gas station but in everything from food to cars.

- According to a study the National Black Chamber of Commerce commissioned from CRA International, this bill would:
    - Reduce national GDP roughly $350 billon below the baseline level and reduce earnings for the average U.S. worker by $390 per year by 2030;
    - Increase electricity bills by about 4-5% in the year 2020;
    - Raise natural gas bills by about 5-6% in 2020;
    - Increase gasoline prices by 12 cents per gallon in 2015 and 59 cents per gallon in 2050; and
    - After 2025 both electricity and natural gas will rise dramatically as free allocations are phased out.

- According to the Heritage Foundation, by 2035 this legislation would:
    - Reduce aggregate gross GDP by $9.4 trillion;
    - Raise an average family's annual energy bill by $1,241;
    - Raise electricity rates 90 percent;
    - Raise gasoline prices by 58 percent;
    - Raise residential natural gas prices by 55 percent; and
    - Increase inflation-adjusted federal debt by $28,728 per person.

Waxman-Markey $2 Trillion Dream Come True for Wall Street

- "Even with conservative assumptions, this could be a $2 trillion futures market in relatively short order," according to Commissioner Bart Chilton of the Commodity Futures Trading Commission (CFTC).

- Participation in this new $2 trillion market is not restricted, and therefore speculators such as Chinese and Saudi government funds, over-leveraged hedge funds and bailed-out investment banks will be able to play this new market. According to one trader, "There are bucks to be made…. Huge playground."

The Waxman-Markey Bill Redistributes Wealth

- Waxman-Markey's system gives away as many free permits on the basis of electricity usage as it does on the basis of emissions. This means that regions that depend on coal power plants will receive relatively few permits in comparison to

other regions of the country. Utilities which are not issued enough permits will have to buy permits and pass the costs onto consumers.

- Coal-heavy states, like in the Midwest, will be forced to pay the hydroelectric-powered West Coast for permission to fuel the industrial base of this nation. Under Waxman-Markey, the already-depressed regions of the country will have yet another economic hardship to contend with – higher energy prices for consumers of electricity.

<u>Our Loss is China's and India's Gain under Waxman-Markey</u>

- Global participation is essential to ensure other countries do not take strategic and competitive advantage of the United States due to higher U.S. energy costs, not to mention reducing greenhouse gases. Neither China nor India plan to participate.
    - *"China is still a developing country with the main task of developing [its] economy, alleviating poverty and raising people's living standard. It is natural that we have some increase on emissions. Under the current circumstances, China could not accept binding targets for emissions reduction."* -China's Foreign Ministry Spokesperson Qin Gang, June 11, 2009
    - *"India will not accept any emission-reduction target – period…This is a non-negotiable stand."* -India Environment Minister Jairam Ramesh, June 30, 2009
    - "*If the question is whether India will take on binding emission reduction commitments, the answer is no. It is morally wrong for us to agree to reduce when 40 percent of Indians do not have access to electricity*." -Indian delegate to the UN, from The Washington Post, April 13, 2009

- Without similar emissions-reduction policies at work in China and India, Waxman-Markey will have no practical impact in reducing global emissions.
    - Secretary of State Hillary Rodham Clinton noted in April that any agreement to combat global warming should require developing countries like India and China to reduce emissions. *"There is no sense in negotiating an agreement if it will have no practical impact in reducing emissions to safer levels,"* said Secretary Clinton. -Associated Press, 27 April 2009
    - China now leads the world in greenhouse gas emissions. According to Secretary of Energy Steven Chu, if China continues on the same course the *"amount of carbon China emits in the next 30 years will equal all the carbon the US has emitted in the life of the country"*. (July 15, 2009)
    - India, as of 2006, was the fourth-largest carbon emitter in the world, with nearly 1,300 million tons of energy related carbon dioxide – and growing. India's carbon emissions are rising faster than nearly every other nation on the planet, according to the Energy Information Administration.

- Without firm commitments from top global emitters, cap-and-trade will only have one certain result: to cap U.S. growth and trade away our jobs. A national energy tax will put American manufacturers at a competitive disadvantage, driving them out of business and moving their jobs overseas to foreign competitors such as China and India. The Democrats know this will happen.
    - July 17, 2009 – Commerce Secretary Gary Locke, before the American Chamber of Commerce in Shanghai said that "to address the serious threat of global warming, Americans should be required to 'pay' for the carbon content of goods they consume from countries around the world."

Home, Building, and Appliance Efficiency under Waxman-Markey Cap and Tax

- Section 201 of the Waxman-Markey bill requires an instantaneous 30% increase in efficiency in the building code and, just five years later, another 50% increase in efficiency. States are required to meet these national targets and will be penalized if they do not. Little flexibility is given to state or local areas with specific geographic and climatic conditions, but, ironically, states can adopt the California code and be 100% in compliance with DOE targets.

- Section 204 of Waxman-Markey outlines a "Building Energy Performance Labeling Program" that will "label" new construction or total renovation homes and buildings before the time of sale. Although the program is "voluntary," states will receive federal money to implement the labeling program. In a June Congressional hearing, National Association of Homebuilders member Sonny Richardson indicated that the homebuilding industry is "facing devastating times . . . . from building 2 million homes in 2006, we expect to construct less than 500,000 this year nationwide." This is designed to hurt the homebuilding industry during one of its bleakest times.

Costs of Waxman-Markey Underestimated

- EPA underestimated the cost of Waxman-Markey because:
    - EPA numbers are based on consumption changes, which are typically less than income changes, as families respond to income losses by saving less,
    - The discount rate that EPA utilized is way too high
    - EPA assumes all allowance proceeds will be rebated directly to consumers even though most of the allowances were promised to industry
    - EPA assumes a doubling of nuclear energy production in the next 25 years even though Waxman-Markey has no provisions for increasing the availability of nuclear power.

- CBO underestimated the cost of Waxman-Markey because:
    - The CBO study completely ignored the negative economic effects that will ripple through the U.S. economy as a result of this legislation. How can you have an economic study that doesn't take into account the substantial decrease in GDP as a result of this bill? According to the Heritage

Foundation, the GDP loss in 2020 would be $161 billion (in 2009 dollars), which for a family of four is $1,870 that CBO ignores.

Trillions of Dollars to Prevent Only Two Years of Warming

Assume all the controls and provisions in Waxman-Markey work to reduce emissions as promised, without loopholes and gaming. Using mainstream models and assumptions, it is estimated that, by the year 2050 with an 83% emissions reduction called for in Waxman-Markey, the temperature reduction is nine hundredths of one degree Fahrenheit, or the equivalent of two years of avoided warming.

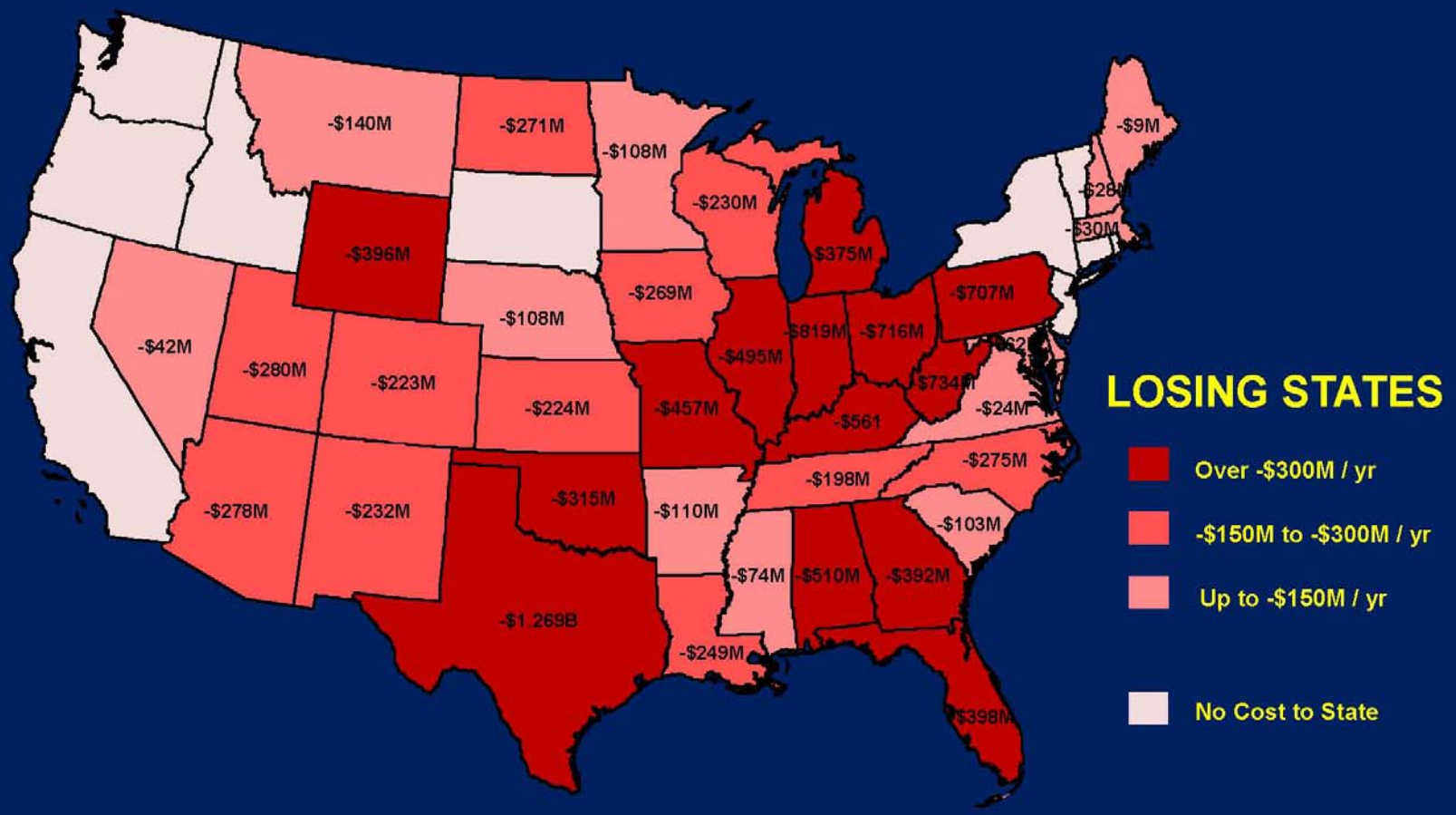
CARBONGATE: Suppressing Evidence in EPA's Rush to Find Danger

- Material information calling into question the objectivity of EPA's basis for the endangerment finding was suppressed within the agency, raising serious questions about the integrity, transparency, and completeness of the process behind EPA's proposed endangerment finding.

- An EPA senior career employee's critical comments warning that EPA was relying on questionable and out-of-date data about climate change to support its endangerment finding were suppressed. An internal email stated:
    - *"The administrator and the administration has [sic] decided to move forward on endangerment, and your comments do not help the legal or policy case for this decision."* – Internal EPA email.

SPEAKER PELOSI'S NATIONAL ENERGY TAX

Hurts Midwest & Southern States Most



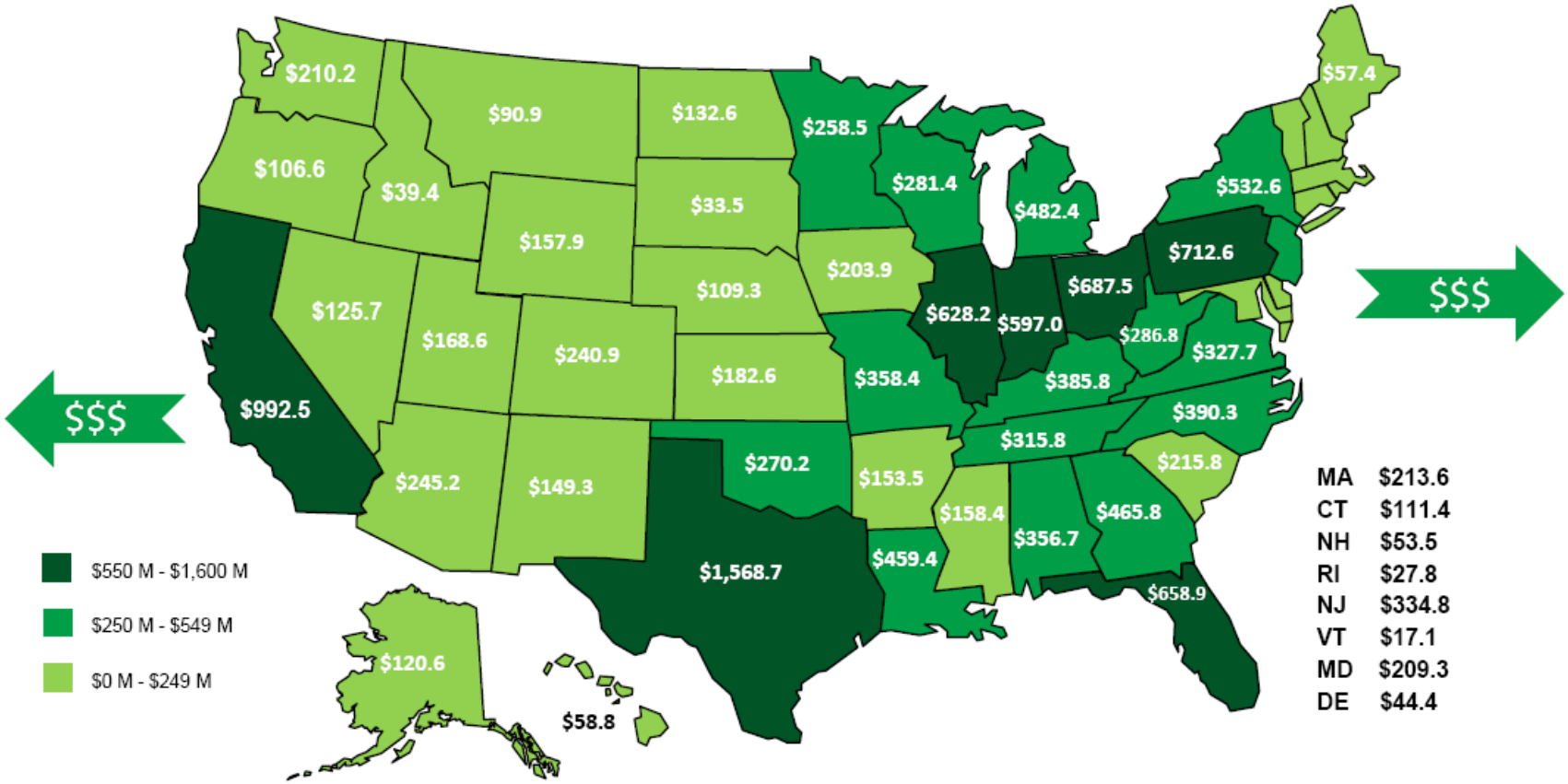
Estimate of 2012 Statewide Cost to Electricity Consumers under H.R. 2454 (6/22 Version) – Consumers Will Face Additional Costs for Gasoline, Diesel, Food, & Goods
Based on Emissions and Sales Data from EIA per House Agriculture Committee Majority Request and Carbon Allowance Price of $16 per ton from CBO, 6/5/09

H.R. 2454's Transfer of U.S. Wealth to Foreign Nations

Cost paid by consumers by state for international offsets (dollars in millions).

U.S.Total = $15 billion for 2012, *alone*.

The map shows the international offsets each state would have to purchase to help close the gap between their share of the cap under H.R. 2454 and their emissions. For example: Based on its percentage of total U.S. emissions, Ohio's allotment of international offsets would be 68.8 million metric tons valued at $688 million. This would be short of the 77.4 million metric tons of international offsets Ohio would need to cover its share of required U.S. emissions reductions.



MA	$213.6
CT	$111.4
NH	$53.5
RI	$27.8
NJ	$334.8
VT	$17.1
MD	$209.3
DE	$44.4

Based on Energy Information Administration and Environmental Protection Agency (EPA) data.
Dollars in millions. Approximate cost to customers in 2012 (at EPA's optimistic estimate of $10/ton).

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