



Executive Summary

Cap and Trade: Delivering Economic Pain Without Environmental Gain

The global warming scare has politicians around the world looking for a method to reduce greenhouse gases (GHG), primarily carbon dioxide created by the burning of fossil fuels. In Washington, some believe that the creation of a cap-and-trade system will efficiently reduce GHG emissions. The concept sets limits (cap) on emissions and allows people to buy, sell, borrow or trade the made-up credits. In theory, it reduces GHG emissions while raising funds from polluter to pay for funding of research and development for clean energy. It sounds too good to be true, because it is.

As the Senate and House debate these issues, please keep in mind these points:

1. **Increased costs to consumers and energy producers will be unavoidable.** The Environmental Protection Agency predicts gross domestic production reduction of \$1 trillion to \$2.9 trillion by 2050.
2. **There will be increased volatility in energy prices.** Energy demand is inelastic, so that even small changes in demand relative to supply can result in sharp price movement.
3. **H.R. 2454 discriminates against natural gas.**
4. **U.S. refineries will be at a competitive disadvantage with foreign refiners.**
5. **The U.S. will need to import more foreign oil.**
6. **Raising the price of energy during a recession will damage U.S. economy further.**
7. **The goal to reduce GHG 80% by 2050 is impossible.** Carbon emissions have not been that since 1910 when the U.S. population was 92 million.
8. **Food prices will rise.** More farmers will plant corn to meet ethanol demand, replacing wheat and soybeans.
9. **It is imperative that the top 15 carbon-producing countries participate.** Allowing competing countries to operate in an economy without cap and trade restrictions will give them a competitive advantage.
10. **Protection against fraud and cheating will be expensive.** Just as the Commodities Futures Trading Commission and others must oversee trading on the futures markets, some agency will have to be responsible for overseeing the trading of emission allowances.
11. **Claims of increase in jobs misplaced.**
12. **Big Government gets bigger.** Many new organizations would be created to protect against fraud and cheating.
13. **Big business gains another advantage over small business.**
14. **No free market.** Markets set by government through allocation of emission allowances.
15. **Economic pain without environmental gain.** When the President and Congress mandated huge increases in ethanol usage, they failed to realize the full impact on grain prices and food supplies. Cap-and-trade programs will have enormous impact throughout the economies of the world.