

The Cap and Trade Carbon Tax

Why Cap and Trade?

- Some in Congress and the White House believe that global warming is real and catastrophic, and that it is caused by carbon dioxide.
- The primary source of carbon dioxide is electric utility generating plants, with coal power plants being the main source. Other sources include transportation (automobiles), refineries, and manufacturing.
- The cap and trade bill is being promoted as a means to reduce the nation's carbon dioxide emissions (and thereby solve global warming), although it is likely that actual carbon dioxide emissions will not be affected or reduced significantly by cap and trade legislation. Rather, there will be a significant cost for emissions and most of that cost will flow from consumers to the government as a hidden tax.

What is it?

- The government would set national limits on carbon dioxide emissions, and emission levels would be specified for various industries. This is the “cap.”
- However, people and businesses still need electricity, so power plants would continue to run. So, power companies would be given an initial set of “allowances” to cover their emissions.
- Some power companies – particularly in heavy coal power states like Ohio – will not have enough allowances to cover their emissions. So they will need to buy more allowances. That is the “trade.”
- There will also be secondary markets created for CO₂ financial transactions such as CO₂ permit trading, hedge funds, futures and derivatives.
- The government plan is to annually reduce the number of allowances, thereby raising the price and raising the need to buy more allowances. Price volatility is also expected to increase.

Why is it bad?

- The science on global warming is inconclusive, with many opposing claims such as: global warming is not even occurring; warming and cooling periods have occurred hundreds of years in the past, well before industrialization.
- Cap and trade will have minimal impact on carbon dioxide emissions, but will substantially raise the price of energy and thereby the cost of all goods and services.
- Other developing nations (ie, China, India and Brazil) are not adopting similar measures. Therefore, this would raise the cost of business in America and send more jobs overseas.
- This would be a “regressive tax” which especially hurts low income families. These families already spend a higher proportion of their income on energy, and this would worsen under cap and trade.

- The President's budget is expecting cap and trade to bring in \$873 billion to the government by 2019. (Remember, when money is going to the government, it is ultimately coming from you.)
- Of that tax revenue, only \$150 billion is designated for energy-related research and development. So if carbon dioxide truly is the problem, why isn't more devoted to the issue?
- The cap and trade plan has no "safety valve" or limit on how high the price will be allowed to go.
- Depending on what price the emissions would be, estimates are that Ohioans could pay \$26 to \$65 more per month for electricity.

Is it good?

- One argument is that cap and trade will lead to America's energy independence. However, this does not appear to be valid. America is considered the "Saudi Arabia of coal," with hundreds of years of coal reserves. How would abandoning our nation's greatest energy resource lead to energy independence? Many power companies would switch to natural gas power plants and thereby increase the use of imported natural gas, as well as increase the price of natural gas for everybody. Cap and trade also increases costs for U.S. oil refineries.
- One argument is that cap and trade will lead to an explosion of "green energy jobs" in America. However, wind and solar are very unreliable sources of electricity and cannot replace baseload coal and nuclear power plants. Also, wind and solar represent less than 1 percent of America's power generation, so even doubling that capacity would have minimal effect. There is also the problem and the cost of building another transmission network to move the electricity from wind and solar farms to cities and towns, since the wind/solar farms are located in remote areas.

Other interesting facts

- Today 1.6 billion people (1/4 of the world's population) have no access to electricity. By 2030, 1.4 billion people still will have no access to electricity. 2.4 billion people rely on traditional biomass (wood, ag residue, dung) for cooking and heating. *Is a possible 1 centimeter rise in sea level more important than this?*
- It would take 300 million residential-scale "solar rooftops" to replace coal generation
- It would require construction of 860,000 large utility-scale wind turbines to equal coal generation
- To replace U.S. coal power plants with renewable sources within 10 years, the U.S. would need to double its current wind energy capacity once every 31 days for 10 years; **or**, build 174,580 acres of solar facilities every month for the next 10 years

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