

Week of August 23, 2010



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Keeping Cap-and-Trade at Bay

In the summer of 2009, the U.S. House passed—by a slim margin—a cap-and-trade bill that if enacted into law, would cost American families thousands of dollars each year and increase the price of energy by as much as 90 percent according to research by the Center for Data Analysis at The Heritage Foundation. Fortunately, this particular bill (H.R. 2454, also known as the American Clean Energy and Security Act of 2009) has stalled in the U.S. Senate, and for the immediate future—especially given the political environment surrounding the upcoming fall election—seems to be going nowhere fast.

The premise of cap-and-trade is that by placing a mandatory “cap” on carbon emissions we can reduce the amount of greenhouse gases our country produces. The federal bill would establish a regulatory system to oversee the purchase, sale and trade of permits for energy use meant to reduce carbon emissions. Businesses that emit greenhouse gases could “trade” (buy or sell) these permits to ensure they meet the target, and the number of permits available would gradually decrease until what is considered a “safe” level of emissions is reached.

The trouble with this idea is that the cost to implement it is extremely high and the payoff is extremely low. It’s difficult to determine how much emissions would actually be reduced—some experts say it could moderate temperatures by thousandths of a degree by 2050 and at most, by tenths of a degree by the end of the century. Justifying such a high cost for a miniscule, and really, incalculable change is hard to do in a time where most Americans are very concerned, not just about their own finances, but also about the level of spending coming out of Washington D.C.

While the bill remains stagnant for now, it must not be allowed to move forward in the future because its overall economic impact would be devastating for individuals and businesses. Essentially, we are talking about an energy tax that would be passed on to consumers through higher energy costs and price hikes on every single product we

purchase. According to The Heritage Foundation, cap-and-trade would result in an aggregate lost national income of more than \$9 trillion for the first 25 years of the program. Our fragile economy certainly cannot withstand spending of this magnitude, especially in light of bail-outs, the passage of the federal health care plan and other ill-advised spending coming out of our nation's capital. Our state should be particularly concerned because Midwestern states would pay a heavier price for cap-and-trade than coastal states.

I do believe that we should care for our environment and for the resources we've been blessed with. However, I do not think cap-and-trade is an effective, financially responsible way to do that. One of the biggest arguments against cap-and-trade is that without global cooperation on this issue, establishing caps on emissions in the U.S. won't affect the overall picture. China recently passed the U.S. as the largest total carbon emitter and is expected to double our emissions in the future. Other developing countries will follow suit as they grow, completely canceling out any efforts we make under cap-and-trade. It simply isn't a rational solution.

Rather than impose a massive tax on the American people, our leaders in Washington should follow the examples set by the Founders, who understood the danger of excessive government intervention into the free market. We are now seeing some of the repercussions of big government, and citizens are beginning to resist. One example is the recent overwhelming passage of Prop C here in Missouri, which rejects the individual mandate portion of the federal health care bill. I'm confident that voter reaction is what is keeping cap-and-trade at bay, which means certain federal elected officials may finally be listening to the will of the people. To ensure cap-and-trade stays an idea rather than a reality, we must remain vigilant and continue to voice our opposition to this bad public policy.

As always, please do not hesitate to contact my office with your questions or concerns at any time. We look forward to hearing your comments and suggestions and trying to answer any questions you may have. You can reach us by phone at 866-277-0882 (toll-free) or 573-751-2272, or by fax at 573-526-7381.

Senator David Pearce serves Bates, Cass, Johnson and Vernon counties in the 31st State Senatorial District.

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