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Our Editorial

Economy killer

Latest version of cap-and-trade, despite goodies for auto industry, carries high price tag

The Detroit News

Congress is moving forward on legislation to dramatically reduce greenhouse gas emissions, but it could seriously damage the economy by increasing the costs of energy.

The legislation, called the Waxman-Markey bill after its two chief sponsors in the U.S. House, Henry Waxman, D-Calif., and Edward J. Markey, D-Mass., would impose a cap primarily on carbon emissions. Permits for emitting carbon would be auctioned by the government. Businesses could then buy and sell them among themselves, which is why the legislation is called cap-and-trade.

The goal of the bill is to bring U.S. greenhouse gas emissions 17 percent below 2005 levels by 2020 and ultimately 83 percent below 2005 levels by 2050. It does nothing less than call for a major restructuring of the U.S. economy. It is worth noting that the emissions slated for reduction in this legislation grew by nearly one fifth between 1990 and 2007.

Supporters of Waxman-Markey have been busily handing out credits and exemptions to various industries that would be hurt by the legislation. U.S. Rep. John Dingell, D-Dearborn, signed on after the auto industry was promised 3 percent of the federal government's revenue from emissions permits for five years, which would be worth billions of dollars. The revenue is linked to investments in new vehicle technology. The industry has also been promised up to \$50 billion in new technology loans.

Similar deals have been made with utilities and other energy producers and industries. The Wall Street Journal reports that 85 percent of the permits in the Waxman-Markey bill have been given away for the first 20 years of the proposed regulatory regime to win support.

But American consumers would still wind up paying more for goods and energy. The Congressional Budget Office estimates that the average cost of the 2020 goal would be about \$1,600 per household. Even after signing on to the bill, Dingell worried that the 17 percent reduction would be too much for a "fragile economy" and came out for President Barack Obama's original proposal of a 14 percent reduction.

Backers acknowledge the effect on consumers, which is why it includes a provision for states to route money from the permit revenue to low-income households -- yet another wealth transfer scheme by this administration.

The legislation also includes a mandate that utilities buy 12 percent of their electricity from renewable sources such as wind and solar power. But the U.S. Energy Information Administration estimates that by 2030 wind and solar power would supply just 5 percent of the nation's electric power.

Waxman-Markey is a huge, convoluted tax system based on utterly unrealistic expectations about technology developments with unforeseen and possibly disastrous economic consequences. Despite the goodies held out to the auto industry, it could seriously hurt Michigan.

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