

Obama moves forward with plans to cut emissions

A cap-and-trade initiative would limit greenhouse gases and raise the cost of pumping more carbon into the atmosphere. Some fear it could also further hurt the economy.

By Jim Tankersley
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Reporting from Washington -- The Obama administration is pushing forward with plans to aggressively limit greenhouse gas emissions and fight global warming despite fears that the move could further slow the recessionary economy.

The administration plans to portray the limits as a boost for America's "clean energy economy," according to congressional leaders and energy experts who have talked with top Obama advisors. The move would spur competition and promote investment in renewable alternatives to imported oil, the government will argue.

At issue is the so-called cap-and-trade initiative, under which the government would set limits on carbon emissions by power plants, factories and other installations, but allow those who emit more to buy or trade permits with companies and facilities that emitted less than the prescribed limit.

The idea is that raising the cost of pumping more carbon into the atmosphere would encourage companies and other emitters to cut back, thus reducing a principal cause of global warming.

But cap-and-trade would amount to a tax, raising energy costs. And several independent studies have suggested that emissions limits could be a drag on economic growth, a concern raised frequently by opponents of climate change legislation.

"The whole economic issue will be front and center in the debate on this . . . on both sides," said Eileen Claussen, president of the Pew Center on Global Climate Change, who has discussed Obama's global warming plans with senior administration officials.

Polls show voters increasingly losing interest in global warming. By pressing ahead, Obama would be sticking with a program that he said during the campaign would be a high priority of his presidency.

"There's a general consensus that things are going to be done with climate" in Washington this year, said Daniel Yergin, author of "The Prize: The Epic Quest for Oil, Money and Power."

Details of the administration's approach are far from set, though Obama has said he favors a cap-and-trade system. The administration will argue that greenhouse gas restrictions should be part of a two-pronged effort to stimulate renewable energy supplies and ensure demand for the megawatts they'd produce.

The first is to invest heavily in wind power, solar power and biofuels through the massive stimulus bill. The second is to help those forms of energy compete with cheaper fossil fuels by pumping up fossil fuel costs to reflect the potential economic damage from a warmed Earth.

"If we don't put a price on carbon," said Sen. Barbara Boxer (D-Calif.), chairwoman of the Environment and Public Works Committee, "we'll never get these clean energy sources on line."

Critics, including many Republicans on Capitol Hill, say those moves will only increase energy prices.

"I just have concerns on the impact on the economy with all of the issues of global climate change," said Sen. John Barrasso (R-Wyo.), who sits on the energy and environment committees, "and what restrictions there's going to be, what expenses there's going to be for American taxpayers."

Economists generally agree that limiting emissions is likely to curb economic growth, at least in the short term.

Peter Orszag, the former head of the Congressional Budget Office who now heads the White House Office of Management and Budget, told Congress last year that emissions limits would reduce long-term economic risks but "also impose costs on the economy . . . in the form of higher prices for energy and energy-intensive goods."

Orszag also testified that the costs could depend on whether the government sells emissions permits and, if so, how it spends the proceeds.

Environmentalists have recently pushed that idea one step further, arguing that if Congress passed emissions caps today, it could borrow against the future revenues from permit sales and spend the money on alternative energy research and technology.

That would stimulate the economy and "allow polluters to transition from a high-polluting environment to a low-polluting environment," said Andy Stevenson, a former hedge fund manager who is now a finance advisor for the Natural Resources Defense Council in New York.

Other experts are more skeptical. Robert Shapiro, an economic advisor to President Clinton who now chairs the U.S. Climate Task Force, said a cap-and-trade system "would raise energy prices, at a time when you're trying to increase consumption. . . . It goes against everything" Obama campaigned on, he said.

Shapiro and many economists would prefer that the government tax carbon emissions and refund the proceeds straight to taxpayers.

The Democratic leaders working with Obama on climate legislation prefer cap-and-trade. So does a coalition of business leaders, including Shell Oil Co. and the Big Three automakers, who joined with some environmental groups to release an emissions-limit proposal this month.

Boxer said Friday that she had learned from the defeat of a cap-and-trade bill in the Senate last year. She's set to unveil a simpler, more focused plan this week in hopes of passing a bill by year's end.

Rep. Henry A. Waxman (D-Beverly Hills), chairman of the House Energy and Commerce Committee, talks even more optimistically: He's promised a bill by Memorial Day.