

## Research & Commentary: Environmental Credit Scheme A Bad Idea For Louisiana

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Litigation Abuse Responsible for Thousands of Lost Jobs, Up To \$113 Million In Annual Economic Losses

Legislation in the Louisiana Senate would set up the framework of a Coastal Zone Recovery Fund (CZRF) and environmental credit cap-and-trade-style system as agreed to by the State of Louisiana in a lawsuit settlement with the mining company Freeport-McMoRan.

Under the terms of the settlement, Freeport agreed to provide \$100 million in funds to the state paid over 20 years. Three initial payments totaling \$23.5 million would be placed in the CZRF for coastal restoration projects that will generate environmental credits, the sale of which will be used to offset Freeport's remaining \$76.5 million obligation.

However, the Senate legislation currently being proposed guarantees that only 60 percent of the CZRF funds would actually end up in the established Coastal Master Plan protection projects. The rest of the funding could instead be used for pet projects within the settling parishes and not reach coastal areas at all.

The legislation in question would also create the Coastal Zone Recovery Authority (CZRA) within the office of the governor, provide for the CZRA's executive board membership and responsibilities, establish a permanent trust fund in the state treasury, and create subaccounts for the fund. The bill would grant broad authority to the CZRA board to implement the settlement agreement, including granting the board sweeping authority to establish guidelines, rules, and regulations for the environmental credit bank program, including assigning value to the credits.

Advocates of cap-and-trade schemes like the one being proposed under this legislation point to California and the 11 northeastern states that make up the Regional Greenhouse Gas Initiative (RGGI) as examples of how these programs can be successfully implemented. In reality, cap-and-trade programs do little to reduce carbon dioxide emissions. Even worse, they are akin to regressive taxes. Cap-and-trade programs disproportionately burden low-income households, who are less able to afford higher energy and gasoline costs that these programs are designed to produce.

A Manhattan Institute study estimates the California cap-and-trade program raised residential electricity costs by as much as \$540 million in 2013. In 2017, California's Legislative Analyst's Office (LAO) estimated cap-and-trade will increase gasoline prices by 15–63 cents per gallon by this year, and by 24–73 cents per gallon by 2031. LAO projects Californians will spend \$2

billion to \$8 billion extra on gasoline by this year. It also estimates the increased gasoline prices will cost \$150–\$550 per household by 2026. Retail electricity prices in the Golden State are also 58 percent higher than the national average, an 18 percentage point increase over where they were before cap-and-trade was enacted in 2012.

In a *Cato Journal* article released in 2018, David T. Stevenson of Delaware’s Caesar Rodney Institute writes there are “no added reductions in carbon dioxide emissions, or associated health benefits, from the RGGI program. RGGI emission reductions are consistent with national trend changes caused by new EPA power plant regulations and lower natural gas prices. The comparison requires adjusting for increases in the amount of power imported by the RGGI states, reduced economic growth in RGGI states, and loss of energy-intensive industries in the RGGI states from high electric rates.”

According to the U.S. Energy Information Administration, retail electricity prices in the 11 RGGI states and California are currently 40 percent higher than the U.S. average. Thanks to its copious traditional power sources, however, the Pelican State currently has the lowest retail electricity prices in the United States at 7.71 cents per kilowatt hour. This rate is 27 percent below the U.S. average. Moreover, a 2020 *WalletHub* study reports that Louisiana has some of the lowest total energy costs per household in the United States.

Over the last decade, coastal Louisiana parishes have filed a total of 42 lawsuits against more than 200 energy companies. The parishes allege that the defendants’ federally authorized oil and gas exploration and production activities have caused coastal land loss. Defendants named in these lawsuits range from major oil and gas companies like Freeport, Chevron, and BP, to dozens of smaller operators.

The Pelican Institute for Public Policy (PIPP) estimates that the economic consequences of this coastal litigation is severe, and has already cost Louisiana between \$43-\$113 million annually since 2013. Moreover, PIPP notes at least 2,000 jobs were lost in the two years after the coastal litigation was first filed, due to the impact of litigation risk, totaling about \$70 million in lost wages over that period.

PIPP also emphasizes how offshore gas exploration has dropped by 50 percent since 2013. These vanished jobs and investment opportunities have caused a loss of \$22.6 million in tax revenue and royalty collections to local governments as well as the state government, necessitating tax increases elsewhere to ensure funding for public services like safety, education, and infrastructure.

A cap-and-trade scheme would make everything more expensive for working families in Louisiana, raise costs for businesses, and have an insignificant effect on global carbon dioxide emissions. In the middle of the COVID-19 pandemic, when economic situations for many people are especially precarious, purposefully raising electricity prices is extremely foolish and hard-hearted.

Further, the lawsuit abuse that certain parishes are engaging in is killing jobs and driving away economic opportunity for working families and job seekers in the state. This litigiousness needs to cease, and legislation that enables it should not be seriously considered by the State Legislature.

The following documents provide more information about cap-and-trade schemes, fossil fuels, and coastal lawsuit abuse.

### **The Cost of Lawsuit Abuse: An Economic Analysis of Louisiana's Coastal Litigation**

[https://files.pelicanpolicy.org/wp-content/uploads/2019/10/Pelican-Institute\\_Coastal-Lawsuit-FINAL.pdf](https://files.pelicanpolicy.org/wp-content/uploads/2019/10/Pelican-Institute_Coastal-Lawsuit-FINAL.pdf)

This report from the Pelican Institute for Public Policy was performed to estimate the impact Louisiana's lawsuit climate has on the state's economy, particularly as it pertains to the state and local governments' coastal lawsuits against oil and gas industry companies. It finds at least 2,000 jobs were lost over a two-year period when the lawsuits were first filed in 2013, producing over \$70 million in lost wages and between \$43 million and \$113 million in annual economic losses and \$22.6 million in lost tax revenue.

### **Legislating Energy Poverty: A Case Study of How California's and New York's Climate Change Policies Are Increasing Energy Costs and Hurting the Economy**

[https://www.pacificresearch.org/wp-content/uploads/2018/12/LegislatingEnergy\\_F\\_Web.pdf](https://www.pacificresearch.org/wp-content/uploads/2018/12/LegislatingEnergy_F_Web.pdf)

This analysis from Wayne Winegarden of the Pacific Research Institute shows the big government approach to fighting climate change taken by California and New York hits working class and minority communities the hardest. The paper reviews the impact of global warming policies adopted in California and New York, such as unrealistic renewable energy goals, strict low carbon fuel standards, and costly subsidies for buying higher-priced electric cars and installing solar panels. The report finds that, collectively, these expensive and burdensome policies are dramatically increasing the energy burdens of their respective state residents.

### **A Review of the Regional Green Gas Initiative**

<https://object.cato.org/sites/cato.org/files/serials/files/cato-journal/2018/2/cato-journal-v38n1-chapter-11.pdf>

This *Cato Journal* article authored by David T. Stevenson of the Caesar Rodney Institute finds the Regional Greenhouse Gas Initiative has not shown any added emissions reductions or associated health benefits, has had minimal impact on energy efficiency and low-income fuel assistance, and has increased regional electric bills.

### **Less Carbon, Higher Prices: How California's Climate Policies Affect Lower-Income Residents**

<https://www.heartland.org/publications-resources/publications/less-carbon-higher-prices-how-californias-climate-policies-affect-lower-income-residents>

This study from Jonathan Lesser of the Manhattan Institute argues California's clean power regulations, including the state's renewable power mandate, is a regressive tax that harms impoverished Californians more than any other group.

### **Five Myths of Cap-and-Trade**

<https://www.heartland.org/publications-resources/publications/five-myths-of-cap-and-trade>

Articles supporting cap-and-trade programs rest on a number of fallacies. In this article by Todd Myers of the Washington Policy Center, Myers identifies and explores five persistent myths concerning cap-and-trade, including the belief that a cap on carbon dioxide emissions guarantees emissions reduction.

### **Climate Change Reconsidered II: Fossil Fuels – Summary for Policymakers**

<https://www.heartland.org/publications-resources/publications/climate-change-reconsidered-ii->

[fossil-fuels---summary-for-policymakers](#)

In this fifth volume of the *Climate Change Reconsidered* series, 117 scientists, economists, and other experts assess the costs and benefits of the use of fossil fuels by reviewing scientific and economic literature on organic chemistry, climate science, public health, economic history, human security, and theoretical studies based on integrated assessment models (IAMs) and cost-benefit analysis (CBA).

### **The Social Benefits of Fossil Fuels**

<https://www.heartland.org/publications-resources/publications/the-social-benefits-of-fossil-fuels>

This Heartland *Policy Brief* by Joseph Bast and Peter Ferrara documents the many benefits from the historic and still ongoing use of fossil fuels. Fossil fuels are lifting billions of people out of poverty, reducing all the negative effects of poverty on human health, and vastly improving human well-being and safety by powering labor-saving and life-protecting technologies, such as air conditioning, modern medicine, and cars and trucks. They are dramatically increasing the quantity of food humans produce and improving the reliability of the food supply, directly benefiting human health. Further, fossil fuel emissions are possibly contributing to a “Greening of the Earth,” benefiting all the plants and wildlife on the planet.

Nothing in this *Research & Commentary* is intended to influence the passage of legislation, and it does not necessarily represent the views of The Heartland Institute. For further information on this subject, visit *Environment & Climate News*, The Heartland Institute’s [website](#), and *PolicyBot*, Heartland’s free online research database.

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