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Experts Debate Cap and Trade During UC Forum

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Cato Institute and Natural Resources Defense Council experts debate the impact of reducing carbon emissions on West Virginia.

Story by Pam Kasey

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CHARLESTON -- It's impossible to estimate the cost of reducing climate warming emissions 83 percent by 2050, in the view of Cato institute Senior Fellow Patrick J. Michaels, because no one knows how to do that.

But all we really have to do is create the market, according to Natural Resources Defense Council Director of Climate Programs David G. Hawkins. Investments will follow, and the system can be modified as technologies progress.

The two men discussed the greenhouse gas emissions reduction market system under consideration by Congress Dec. 7 at an event titled "Cap and Trade: Its Effects on West Virginia's Economy," hosted by the University of Charleston and moderated by UC President Edwin Welch.

The debate took place as 10 days of global climate talks began in Copenhagen.

It also followed a mid-day announcement by the federal Environmental Protection Agency that it would regulate carbon dioxide as a pollutant — a move widely seen as putting pressure on Congress to establish cap and trade.

As passed in June by the House of Representatives and under discussion now in the Senate, the cap-and-trade program would place a gradually declining economy-wide cap on greenhouse gas emissions and would distribute emissions allowances to major sources each year.

Emitters could trade their allowances in an open market. Those that met their caps could sell their extra allowances to those who needed them, ensuring that emissions reductions would take place efficiently across the economy.

Michaels sees a cap-and-trade program as a tax that will hurt residents of West Virginia and the nation.

"Where does all the money for investment in our future come from?" he asked.

"Cap and trade will take money from individuals that will have to be used to pay for more expensive energy," he said. "Who would you rather have invest in the future energy technology for this country: you, or the government?"

He believes warming is real and is caused by human activity, but that it is minor.

And he believes cap and trade will create a large bureaucracy that future citizens will find very hard to eliminate.

Hawkins, on the other hand, believes we do not know the consequences of our emissions, but that a carefully crafted cap-and-trade program will help coal states such as West Virginia.

“The bill has been drafted to be very attentive to the concerns of coal-based economies,” he said. “It has timelines which are intended to be able to be met through a combination of alternative measures that do not require a significant shift away from coal, and it has very large financial programs to accelerate the deployment of carbon capture and storage. Finally, it has formulas that allocate these allowances so that coal-dependent economies will have time to transition.”

Asked about the worst consequence of creating a cap-and-trade program if it turns out that climate change is not manmade, Michaels said, “We’ll regret that we took out money that people would have invested and brought out the new technology sooner.”

Hawkins’ worst consequence: “We will have applied our ingenuity to find cleaner ways to meet our energy needs, we will have more diverse sources of energy to rely on, we will have less dependence on imported oil, we will be sending fewer dollars overseas to regimes that don’t like us and we will create lots of jobs in the United States.”

The two men represented the two prevalent attitudes toward global climate talks.

Michaels fears that if the U.S. commits to emissions reduction targets, Chinese and Indian emissions increases will dwarf U.S. reductions while their industries will outcompete ours.

But events weeks leading up to Copenhagen, Hawkins said, support a view that the large emerging economies are only waiting for the U.S. — an economy with about 10 times the per-capita emissions of China — to commit.

“A couple of weeks ago, President Obama said he would go to Copenhagen, he would put an offer on the table for what the United States would be willing to do,” he said.

“The immediate response, the next day, from China, was to abandon the position it has held for the last 20 years. ... The Chinese premier said, ‘We will adopt specific commitments to reduce our greenhouse gas intensity of carbon pollution,’” he said.

“We now have a chance to create a virtuous circle where we say we’re willing to try this and they say we’re willing to try this and we create opportunities.”

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