

Cap-and-Trade Would Slow Economy, CBO Chief Says

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A House-passed bill that targets climate change through a cap-and-trade system of pollution credits would slow the nation's economic growth slightly over the next few decades and would create "significant" job losses from fossil fuel industries as the country shifts to renewable energy, the head of the Congressional Budget Office told a Senate energy panel Wednesday.

CBO Director Douglas W. Elmendorf emphasized that his estimates contained significant uncertainties and "do not include any benefits from averting climate change," but his message nevertheless contrasted sharply with those of President Obama and congressional Democratic leaders, who have suggested that a cap on carbon emissions would help revive the U.S. economy.

Elmendorf testified before the Senate Energy and Natural Resources Committee that the cap-and-trade provisions of the House bill -- in which emitters of greenhouse gases would be able to buy and sell pollution credits -- would cut the nation's gross domestic product by 0.25 to 0.75 percent in 2020 compared with "what it would otherwise have been," and by 1 to 3.5 percent in 2050.

Elmendorf also pointed to disruptions that would occur as Americans sought employment with industries that would benefit under a carbon cap, such as solar and wind power.

"The shifts will be significant," the CBO director said. "We want to leave no misunderstanding that aggregate performance -- the fact that jobs turn up somewhere else for some people -- does not mean that there are not substantial costs borne by people, communities, firms in affected industries and affected areas. You saw that in manufacturing, and we would see that in response to changes that this legislation would produce."

Opponents of climate-change legislation seized on Elmendorf's comments, suggesting they meant the United States would be better off not curbing greenhouse gas emissions linked to climate change. Sen. Sam Brownback (R-Kan.), who described himself as "a skeptic" on the issue, detailed how Kansans would likely face higher energy prices under a cap-and-trade system.

"Because while we're projecting these things, people are having to deal with their basic lives on it, and this is going to be very expensive," Brownback said.

But Elmendorf, who called the economic downside to the House climate bill "comparatively modest," noted that climate change could impose costs on Brownback's home state in other ways, by harming agriculture.

In light of those potential risks, the CBO director said, "many economists believe that the right response to that kind of uncertainty is to take out some insurance, if you will, against some of the worst outcomes."

Rep. Edward J. Markey (D-Mass.), co-author of the House bill with Rep. Henry A. Waxman (D-Calif.), said that several independent analyses, including one by the CBO, had found their bill "would only cost about a postage stamp a day, and that's before you include thousands of dollars in savings from energy-efficiency gains. The harsh reality is that America's global warming and energy challenges are just too important for us to keep mailing it in by not enacting a comprehensive energy and global warming bill."

Daniel J. Weiss, a senior fellow at the liberal think tank Center for American Progress, pointed to a University of Massachusetts at Amherst study that concluded that the House bill would add jobs to the overall U.S. economy.

"We estimate this sustained expansion in clean-energy investments triggered by the economic stimulus program, and the forthcoming American Clean Energy and Security Act, can generate a net increase of about 1.7 million jobs," Weiss said.

For more coverage of climate-change legislation and related issues, go to <http://washingtonpost.com/climate>.