

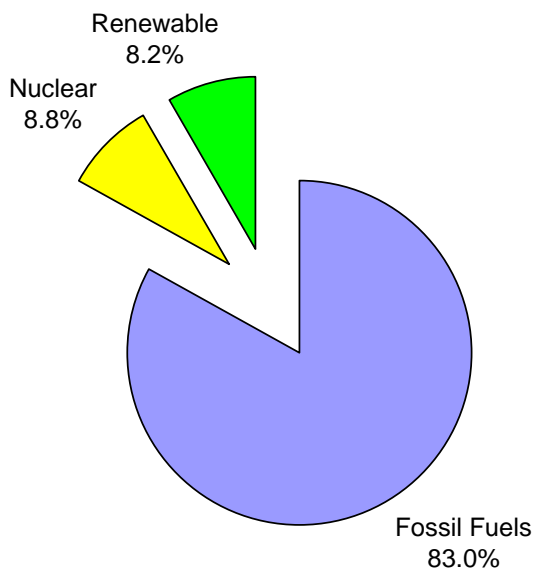
Cap and Trade

Background

“Cap and trade” is a plan to limit the emission of greenhouse gases, particularly carbon dioxide (CO₂). The plan would significantly increase costs for Alabama’s energy consumers while hurting the state’s economy and job market, in exchange for little to no environmental benefit.

According to the Energy Information Administration, 83 percent of the energy consumed by the United States in 2009 came from carbon-dioxide- (CO₂) emitting fossil fuels, such as oil, coal, and natural gas (see Graphic 1).ⁱ

Graphic 1: US Energy Consumption by Source: 2009



Source: Energy Information Administration, *Monthly Energy Review: November 2010*.

Under cap and trade, policy makers set a cap on user permits for the quantity of CO₂ that can be released in a given period. Because the number of permits is limited,

ISSUE SNAPSHOT

Encourage Alabama’s congressional delegation to oppose “cap and trade” legislation on the federal level.

Avoid ruinous proposals to impose a state-level “cap and trade” program.

Ensure that proposed environmental legislation is grounded in objective, verifiable scientific data and sound economic principles.

they have financial value. Companies that take steps to limit their release of greenhouse gases can sell the permits they do not need to other companies that have reached their cap. Over time, the cap can also be lowered to achieve increasingly aggressive emissions-reduction goals.

The cap and trade system is designed to systemically raise the price of fossil fuel-based energy production, resulting in an artificially created price support system for alternative energy. As Senator Barack Obama admitted about his proposed cap-and-trade program during the presidential election campaign, “electricity prices would necessarily skyrocket.”ⁱⁱ

Recommendation

We are stewards of our environment, and Alabama needs workable energy solutions that maximize conservation and protection of the environment. Any solutions must be grounded in objective, verifiable scientific data and sound economic principles.

GUIDE TO THE ISSUES

Alabama should pursue common-sense market based environmental policy. For example, market-based energy usage reduction protects the environment, reduces emissions, and saves money for the Alabama taxpayer. Rather than giving Americans energy choices, a “cap and trade” system picks energy “winners and losers” for the taxpayer, to the detriment of the American economy.

Further Reading

- David Kreutzer, Karen Campbell, William Beach, Ben Lieberman and Nicolas Loris, “What Boxer-Kerry Will Cost the Economy,” Heritage Foundation *Backgrounder* #2365, January 26, 2010. Available at <http://tinyurl.com/2ahzmbe>. Access verified December 21, 2010.
- Wendell Cox and Ronald Utt, “Cap-and-Trade Bill Would Make Housing Less Affordable,” Heritage Foundation *WebMemo* #2968, July 20, 2010. Available at <http://tinyurl.com/26jlhgy>. Access verified December 21, 2010

ⁱⁱ Energy Information Administration, “Primary Energy Consumption by Source.” In *Monthly Energy Review: November 2010*. Available at <http://tinyurl.com/ykfuhzv>. Access verified December 21, 2010.

ⁱⁱⁱ “Obama: My Plan Makes Electricity Rates Skyrocket,” YouTube, January 17, 2008. Available at <http://tinyurl.com/dfyqof>. Access verified December 21, 2010, as cited by David Kreutzer, Karen Campbell, William Beach, Ben Lieberman and Nicolas Loris, “What Boxer-Kerry Will Cost the Economy,” Heritage Foundation *Backgrounder* #2365, January 26, 2010. Available at <http://tinyurl.com/2ahzmbe>. Access verified July 26, 2011.