

25TH STORY of Level 1 printed in FULL format.

Copyright 1997 Pasha Publications Inc.  
The Energy Report

July 21, 1997

SECTION: Vol. 25, No. 28

LENGTH: 1312 words

HEADLINE: Clinton, Congress debate global warming with warnings of higher fuel prices

BODY:

Gasoline, coal and electricity prices will rise and hundreds of thousands of jobs will be lost under certain scenarios the Clinton administration is considering as it looks to have the United States do its part to slow global warming.

Talk about how to reduce emissions of carbon--based "greenhouse gases" will generate plenty of heat in the next six months. In December, delegates from all nations will meet in Kyoto, Japan, to consider a global strategy for lowering carbon emissions.

Debate is contentious and proposals are controversial. One challenge in making sense of global warming arguments is the sheer volume of information being published. The World Resources Institute, an environmentalist think tank, earlier this month released an analysis of 16 different economic models of global warming. Most of the models fail, the institute said, because they don't figure in the economic and environmental side--benefits from cleaner emissions and lower consumption of coal, petroleum and other carbon--based products.

The federal government has all but thrown up its hands. Janet Yellen, chair of the Clinton administration's Council of Economic Advisors, said, "The effort to develop a model or set of models that can give us a definitive answer as to the economic impacts of a given climate change policy is futile."

The Clinton administration has not settled on a particular set of new policies to reduce greenhouse gas emissions, Yellen told the House Commerce energy and power subcommittee at a hearing last Tuesday. She and Timothy Wirth, a top official in the State Dept. and the administration's point person on global climate change, began making the rounds last week, also appearing at the Senate Environment and Public Works Committee, to drum up support for the administration's evolving stance on global warming.

They have a lot of work ahead of them. The White House has been silent for so long, few in Congress know its intentions, and what's known is not well--received. Among the most problematic for the Senate is a U.S. commitment to accept legally binding emissions reduction targets that would not also apply to developing nations. The fear is businesses will leave the United States and set up shop in countries with looser emissions restrictions.

Any treaty will have to be approved by the Senate, and many senators don't

## The Energy Report July 21, 1997

like what they see. Sixty--five of them have signed a resolution (S. Res. 98) introduced by Sen. Robert Byrd, D--W. Va., that the United States should not sign any agreement that requires emissions reductions in industrialized nations but not developing nations or causes serious harm to the U.S. economy.

Last Thursday, the Senate Foreign Relations Committee passed a measure backing the Byrd resolution.

A draft copy of the White House's strategy was released last week, and its assumptions and predictions did not sit well with some Congress members.

"When I look at the proposal the Clinton administration has on the table, I see a piece of paper with all the most critical elements left blank," Commerce Committee Chair Tom Bliley, R--Va., said.

But not everyone sees it that way. "I believe the risks of not acting at this time are too great," said Rep. Edward Markey, D--Mass. "I applaud the Clinton administration for the approach they have taken to develop our national policy on this complex issue."

The Clinton plan, and many other climate change models, assume delegates to the Kyoto conference will agree to reduce emissions of greenhouse gases to 1990 levels by 2010.

One way to get there is to impose a tax on carbon emissions. The Clinton plans says a \$100--a--ton tax on carbon emissions would drive prices up accordingly:

- \*\* \$52.52 per ton of coal;
- \*\* \$1.49 per thousand cubic feet of natural gas;
- \*\* \$.26 per gallon of gasoline; and
- \*\* \$.02 per kilowatt hour of electricity produced.

Yellen said the White House's analysts used the scenario of holding emissions at 1990 levels by 2010, "as the starting point for their own analysis. I would emphasize that this scenario is not administration policy," she said. "Instead, it was picked to make comparisons with other models easier."

Another method under consideration is a world--wide "cap and trade" system in which countries would be assigned a carbon emissions cap and then be allowed to sell or trade permits to emit a certain amount of carbon.

The Sierra Club said relying on the trade of emissions credits will not accomplish any emissions reductions. "We believe that such schemes are unenforceable, will not work to reduce emissions, diminish the impetus to develop new efficiency and renewable technology, raise doubts about America's commitment to curb emissions and have failed to reduce industry opposition to action," said Daniel Becker, director of Sierra Club's global warming and energy program.

The Energy Dept., on July 11, released its analysis of potential effects of

carbon emissions reductions on various industries. The report sat for six months before being released, and in a cover letter, DOE Acting Assistant Secretary for Policy and International Affairs Marc Chupka said its assumptions are "restrictive" and "outdated."

The DOE study looked at six energy--intensive industries: basic chemicals, iron and steel, petroleum refining, paper and allied products, aluminum and cement.

Predictions are dire. Demand for petroleum will drop 20%. The chemical industry would lose 200,000 jobs as about one--fourth of the industry moves abroad. All primary aluminum plants would close because of higher electricity costs. Steel shipments from the U.S. would decline 30%, resulting in 100,000 lost jobs.

Eugene Trisko, an attorney for the United Mine Workers, said a carbon tax could lead to 1.7 million lost jobs in the United States by 2010, with California, Texas and the Great Lakes states hit hardest.

The mine workers are flatly opposed to current proposals. "This union will not give up one of its jobs for an agreement that does not give any measurable environmental benefit," Trisko said.

What a world--wide attempt to reduce carbon emissions will do to the U.S. and global economies is unknown, but many analysts are taking a guess.

In a report for the American Petroleum Institute, the consulting firm Charles River and Associates divided the world into three groups, industrialized countries in the Organization for Economic Cooperation and Development (OECD), energy exporters and developing countries. "The entire world is connected through international trade, and all countries would be affected if economic growth slows in the industrial countries," the report said.

Under Charles River's conditions, the economies of industrialized countries will slow down as they discontinue use of fossil fuels in favor of more expensive fuels or more expensive production techniques. Goods will cost more to make, and be less competitive internationally.

Energy--exporting countries will see demand for their fossil fuel products decline, but domestic industries may prosper with lower energy costs. For Charles River, the effect on developing countries is unclear. They may benefit from lower energy prices, but may also see an overall decline as trade with industrialized nations slows.

Not every analysis is doom and gloom. "Predictions that a carbon tax or a cap--and--trade policy to reduce CO2 emissions would seriously harm the economy are unrealistic," the World Resources Institute said in its study. "They stem from worst--case modeling assumptions. Under more reasonable assumptions and preferable policy approaches, a carbon tax is a cost--effective way of reducing the risks of climate change and would do no damage to the economy. More likely, taking the environmental effects into account, it would bring long--term benefits."

LANGUAGE: ENGLISH