

U.S. Cap-and-Trade Without International Action: All Pain and No Gain

The purpose of global warming legislation, including cap-and-trade, is to reduce emissions and concentration of greenhouse gasses (GHGs). The American Clean Energy and Security Act includes cap-and-trade to limit U.S. emissions unilaterally, without regard to whether other countries take similar measures. Action by the U.S. alone, however, would not significantly reduce global concentrations of GHGs – failing to achieve its environmental objective – while inflicting American families with higher energy costs and fewer jobs.

As of 2005, 20 nations combined to release more than 70 percent of global emissions.ⁱ Those 20 countries include many developing countries whose emissions since 1990 have increased dramatically, including China (up 100.8%), India (68.1%), Brazil (47.3%), Indonesia (78.0%), Iran (131.3%), South Korea (78.6%) and South Africa (26.4%).ⁱⁱ By contrast U.S. emissions have increased by only 16.6 percent in that time frame, while the U.S. is emitting less per unit of economic outcome.ⁱⁱⁱ Since 1990, the share of developing countries' emissions has increased, while developed countries' share has declined.

Share of Global Emissions^{iv}

Source	1990	2005	Change
Developed countries	58.6%	45.9%	-12.7%
Developing countries	38.1%	47.4%	+9.3%

Rank	Source	Emissions (millions of tons of carbon dioxide equivalent, 2005) ^v
1.	China	1,970
2.	United States	1,901
3.	EU-27	1,378
4.	Russia	535
5.	India	506

It is clear from this data that unilateral U.S. action, and even action by all developed countries, will not achieve the purpose for which it has been proposed without action from developing countries.



What's more, last year, in its analysis of the Lieberman-Warner cap-and-trade bill, EPA published a chart showing that a U.S. cap-and-trade scheme, adopted without international action, would do almost nothing to stop (or even slow) the accumulation of global CO₂ concentrations. (See chart left: the red line is without U.S. or international action and the red dotted line is with U.S. cap-and-trade but no international action).^{vi} EPA Administrator Lisa Jackson recently confirmed that observation at a Senate hearing, saying "I believe the central parts of the [EPA] chart are that U.S. action alone will not impact world CO₂ levels[.]"^{vii}

While proponents have argued that the United States needs to lead other nations to adopt their own measures, three of the world's top five emitting sources have categorically stated their intent to reject meaningful emissions limits. China, the world's number one emitter, stated that "it is not possible for China to accept a binding or compulsory target."^{viii} Russia, the number four emitter, has called the emissions target "unacceptable, and probably unattainable."^{ix} India, the number

five emitter, has said, "India will not accept any emission-reduction target – period."^x With comments like these,

it is not surprising that President Obama and the G-8 have failed to convince the world's biggest developing nations to agree to a 50 percent global reduction in emissions, even with developed nations, including the United States, pledging to reduce their own emissions 80 percent.^{xi} It is unclear how the G-8's goal of reducing emissions can be accomplished without significant reductions by developing nations such as China and India.^{xii}

Moreover, developing nations have explicit carve-outs in the United Nations Framework Convention on Climate Change, which notes that: "the largest share of historical and current global emissions of greenhouse gases has originated in developed countries, that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs[.]"^{xiii}

But while global reduction in GHGs would not happen, unilateral U.S. action would likely devastate manufacturing and cause significant job losses due to companies relocating away from the U.S., still the world's top manufacturer.^{xiv} Because the U.S. will face higher production costs in the form of more expensive energy and tougher regulations, lower-cost countries without emissions caps such as China, India and Mexico will have a competitive advantage. Not only would the job losses be significant, but a phenomenon called "carbon leakage" could end up making unilateral U.S. action a lose-lose proposition by maintaining or actually increasing global carbon emissions. For example, some estimate that steel mills in China release at least two times more CO₂ per ton than American mills.^{xv} (The environmental record of Chinese steel overall is hardly exemplary, either.) Exporting jobs and manufacturing is bad enough, but doing it for no gain – and likely harm – makes unilateral cap-and-trade particularly unwise.

ⁱ See "Greenhouse Gas Emissions: Perspectives on the Top 20 Emitters and Developed Versus Developing Nations," Congressional Research Service, Report RL32721, 12/24/08. (CRS GHG Report). <http://apps.crs.gov/products/rl/html/RL32721.html>.

ⁱⁱ CRS GHG Report, table B-1.

ⁱⁱⁱ Emission data taken from CRS GHG Report, table B-1, GDP from Bureau of Economic Analysis data. GHG intensity – emissions divided by GDP – decreased some 45.5 percent during that period.

^{iv} CRS GHG Report, table 1.

^v CRS GHG Report, table B-1.

^{vi} "EPA Analysis of the Climate Security Act of 2008," p. 192. http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf.

^{vii} Before the Senate Environment and Public Works Committee. See EPW minority staff press releases:

http://epw.senate.gov/public/index.cfm?FuseAction=Minority.PressReleases&ContentRecord_id=564ed42f-802a-23ad-4570-3399477b1393&Region_id=&Issue_id= and http://epw.senate.gov/public/index.cfm?FuseAction=Minority.PressReleases&ContentRecord_id=5c511c3c-802a-23ad-4fbc-c237ea9d5aca&Region_id=&Issue_id=.

^{viii} China. [Times \(UK\)](http://www.times.co.uk), 6/12/09: "Qin Gang, a Chinese Foreign Ministry spokesman, said that China was still a developing country and its priority was to develop its economy, alleviate poverty and raise living standards. 'Given that, it is natural for China to have some increase in emissions, so it is not possible for China to accept a binding or compulsory target,' he said."

^{ix} Russia. [AFP](http://www.afp.com), 7/8/09: "But the ink was barely dry on the agreement [to cut emissions by 80% or more by 2050] when it ran into Russian opposition... 'We won't sacrifice economic growth for the sake of emission reduction,' [Arkady Dvorkovich, Russian President Dmitry Medvedev's top economic aide said.]" [Reuters](http://www.reuters.com), 6/19/09: "Russia plans to release 30 percent more greenhouse gases by 2020 under an emissions target scheme announced on Friday by President Dmitry Medvedev. The plan would reduce emissions by 10-15 percent from Russia's emissions in 1990 when it was part of the Soviet Union and its emissions were far higher than they are today... 'We will not cut off our development potential,' Medvedev said."

^x India. [Bloomberg](http://www.bloomberg.com), 6/30/09: "'India will not accept any emission-reduction target – period,' Ramesh said. 'This is a non-negotiable stand.'" [Reuters](http://www.reuters.com), 6/30/09: "'India cannot and will not take emission reduction targets because poverty eradication and social and economic development are first and overriding priorities,' a statement on behalf of Environment Minister Jairam Ramesh said."

^{xi} "Poorer Nations Reject a Target on Emission Cut," [NYT](http://www.nytimes.com), 7/8/2009. <http://www.nytimes.com/2009/07/09/world/europe/09prexy.html?hp>.

^{xii} Cutting the U.S. and EU-27's emissions to 20% of 2005 levels would result in a worldwide reduction of less than 25 percent, even assuming developing world emissions stayed constant instead of growing. (Today the EU and U.S. combine for 31% of emissions. 80% of that total is 24.8%).

^{xiii} Text of United Nations Framework Convention on Climate Change, 1992. <http://unfccc.int/resource/docs/convkp/conveng.pdf>. It recognizes: 1) "that standards applied by some countries may be inappropriate and of unwarranted economic and social cost to other countries, in particular developing countries" and 2) "the special difficulties of [developing] countries, whose economies are particularly dependent on fossil fuel production, use and exportation[.]" It also recognizes that "all countries, especially developing countries, need access to resources...to achieve sustainable social and economic development and that, in order for developing countries to progress towards that goal, their energy consumption will need to grow[.]"

^{xiv} See, e.g., the United Nations Conference on Trade and Development data, found here:

http://stats.unctad.org/handbook/ReportFolders/ReportFolders.aspx?IF_ActivepathName=P/VIII.%20Development%20indicators.

^{xv} "An Assessment of Environmental Regulation of the Steel Industry in China," March 2009, p. 59, Alliance for American Manufacturing. <http://www.americanmanufacturing.org/wordpress/wp-content/uploads/2009/03/chinaenvironmental-report-march-2009.pdf>.