

TESTIMONY OF DR.KENNETH P. GREEN

BEFORE THE

SENATE COMMITTEE ON FINANCE

“CLIMATE CHANGE LEGISLATION: CONSIDERATIONS FOR FUTURE JOBS.”

NOVEMBER 10, 2009

Chairman Baucus, Senator Grassley, Members of the Committee:

Thank you for inviting me to testify today on this important topic.

I have submitted to the record two AEI policy studies on the issue before us today, which are part of the research base underlying what I am about to say.

I have spent the last 15 years analyzing public policy at think tanks in both the U.S. and Canada, with an emphasis on air pollution, climate change, and energy policy. Specifically, I have studied market-based mechanisms for dealing with pollution problems of all sorts, and have studied cap-and-trade as it has made its appearance in conventional air pollution control, and now in greenhouse gas control.

What I can tell you, based on my research is this: cap-and-trade, the core of greenhouse gas control legislation today, is an inappropriate policy tool for the control of greenhouse gases that will cause significant economic harm, and will kill and export jobs, for little or no environmental benefit.

Current legislation applies an emission-trading model to an unsuitable pollutant. For emission trading to work, you need readily available technology to capture emissions, or alternative sources of energy that lets some people generate surplus emission reductions so they can sell them to others. We had that with SO₂: we don't have that with CO₂.

With CO₂, as EPA acknowledges, we're dependent on offsets to control costs, and offsets are notoriously slippery. Even the economists who first developed the theory and practice of cap-and-trade have said that it is not a suitable mechanism for greenhouse gas control. It hasn't worked in Europe, and it won't work here.

By design, and despite provisions that try to hide this from the public the carbon-control bills now circulating will increase energy prices, slowing economic growth, killing jobs, and reducing competitiveness.

And this is a one-way street, since cap-and-trade doesn't only cap emissions, it caps economic growth. When GDP goes up, energy consumption does also, and so does carbon permit price, choking off continued growth; The tighter the emission cap, the tighter the economic straight-jacket.

As energy prices rise, and American companies find themselves less competitive, businesses and jobs will flow to countries without greenhouse gas controls, and without stringent environmental controls of any kind, potentially allowing emissions to increase. The remedy to this, border tax adjustment, is only likely to cause a trade war that will further damage the U.S. economy.

As increased energy costs raise the cost of all U.S. goods and services, consumption will decline, causing still more job losses.

Legislation now before Congress will cause regional and sectoral winners and losers, and will unjustly redistribute and export wealth from industrial, coal-powered state industries to industries in states with greater hydro, nuclear, or natural gas resources. It will send U.S. taxpayer dollars abroad to countries that are our economic competitors, and sometimes geo-political adversaries.

Cap-and-trade creates a new, poorly understood financial instrument that can be used to leverage debt, potentially creating a massive carbon bubble that bursts once it becomes clear we can't afford to maintain the scheme.

Finally, cap-and-trade, and all carbon control, for that matter, puts a bounty on eco-system: As carbon control favors biofuels, more eco-system will be planted over, and farmland used to grow fuel instead of food. A recent article in *Science* observes that attempting to limit CO₂ concentrations to 450 ppm (the currently stated goal of carbon controls) would cause bioenergy crops to expand to displace virtually **all** of the world's natural forests and savannahs by 2065 and actually **increase** global greenhouse gas emissions.

As for the claim that the green-energy provisions of current climate legislation will create "green" jobs that can't be exported, this is simply nonsense. As I testified before another Senate committee, governments do not create jobs they just move them around, inevitably resulting in less jobs on net. Economists have known this for over 150 years. Europe has seen much of its green industry exported, and the U.S. is already seeing solar cell and windmill production moving to China.

The only thing worse than no energy policy, is bad energy policy, and that is what S. 1733, and approaches like it represent: bad energy policy, wrapped up in deceptive terminology that tried to hide the true nature of the legislation.

Thank you for allowing me to speak to you today on this timely and important issue. I look forward to your questions.