

Back burner: Time for cap and trade

From the Editors in the [December 15, 2009](#) issue

President Obama goes to the Copenhagen conference on climate change this month in a weak position, unable to point to any significant U.S. plan for cutting carbon emissions. Though the U.S. has the highest per capita emissions in the world, it has yet to commit itself to cutting the volume of heat-trapping gases that cause global warming. The issue remains on the political back burner.

Last summer the House of Representatives passed a bill that aims to reduce greenhouse emissions by 83 percent by 2050. But the Senate has not addressed its version of the bill, and many experts believe that the U.S. and other industrial nations will have to act faster than either bill envisions if they want to stop the globe from overheating. For example, the Intergovernmental Panel of Climate Change, sponsored by the United Nations, calls on nations like the U.S. to cut emissions by 25 to 40 percent by 2020.

Congress is considering a cap-and-trade approach to cutting emissions. Under this plan, power plants and manufacturers that exceed allowable limits on carbon emissions would have to pay for their pollution, while companies whose emissions fall below the allowable level could sell their carbon “credits” to the companies that pollute. This framework would create a financial incentive for companies to reduce their carbon output.

One measure of how political discourse has shifted to the right over the past 25 years is that the market-oriented cap-and-trade approach is widely derided by Republicans—they refer to cap and trade as “cap and tax”—even though it was their idea in the first place. The idea emerged in the 1980s under the Reagan administration and was developed by market-friendly Republicans and tough-minded environmentalists.

The focus of environmental concern then was acid rain, and the culprit was sulfur dioxide. The classic liberal approach of the time was to establish government regulation: set a legal limit on sulfur dioxide emissions and then enforce the law with the threat of a government lawsuit. Cap and trade was the market-friendly

alternative—it relies not on a company's desire to comply with a government regulation but on its desire to beat the competition and turn a profit.

The Clean Air Act of 1990, signed into law by a Republican president, George H. W. Bush, included a cap-and-trade provision. It proved immediately successful. The law took effect in 1995, and acid emissions fell in the first year. In two decades of the Clean Air Act, acid rain levels have been cut in half. Energy costs did rise, but that cost was offset by the benefits of having cleaner lakes, better air quality and healthier people.

The U.S. is the country most addicted to using carbon-emitting energy. Enacting cap and trade is a minimal first step toward overcoming its addiction. It's an essential step if the U.S. has any pretension of global leadership on this issue.