

13 Reasons to oppose carbon trading:

1. Time is of the essence
2. The European Union Emissions Trading Scheme (EU-ETS) has failed to deliver greenhouse gas emission reductions
3. Although the EU-ETS has not reduced greenhouse gas emissions it has awarded windfall profits to the largest polluters
4. Trading stifles technological innovation needed to achieve long-term goals for greenhouse gas reductions
5. Global Offsets are often unverifiable, lead to oppression, and do not benefit our communities
6. Trading is undemocratic, secretive, and excludes the public from decision-making about whether and how to address greenhouse gas emissions
7. Trading intensifies financial incentives for fraud
8. There is a broad-based rejection of trading
9. Climate change disproportionately affects communities of color fundamentally linking environmental justice to the need for real greenhouse gas emissions reductions
10. Failure to address the primary cause of greenhouse gas emissions will also fail to address the primary cause of negative health, safety, and quality of life impacts in communities of color
11. Pollution trading can create and exacerbate existing pollution “hot-spots”
12. Trading, investing, and profiting and gambling on public health is just wrong
13. There is a better way

See also, [“Reality versus Theory—Debunking the Myths of Cap-and-Trade”](#)

The Cap-and-Trade Charade for Climate Change

The Theory: Set a Cap on greenhouse gas emissions. Distribute permits (give away freely, auction, or both) to pollute equal to the cap. Polluting entities have to obtain enough permits to equal their emissions. They can choose to reduce their emissions or purchase (trade) permits to pollute.

The Reality: Pollution trading does not work. Some key reasons:

- [Price Volatility & Stifled technological innovation and deployment.](#) This free market scheme results in permit price volatility. So, companies have to speculate about the future cost of permits. This makes it very difficult for business’ to decide how much money to spend on new controls or to change processes. The uncertainty of prices makes it harder for inventors to know the price point for their innovation.
- [Too Much Pollution Is Allowed from the Start \(Over-Allocation\).](#) Because we have to guess about emissions levels (we just don’t know what facilities emitted in 1990), the process of setting the “cap” and the allocation becomes very political—with companies pushing to have the highest level possible. This has led to every pollution trading program being over-allocated. The result is over-supply of permits, low credit prices, and no reductions in the amount of pollution released.
- [Windfall Profits and Harm to Consumers.](#) Trading programs that give away pollution permits for free (ARB plans to give away approx. 90% of the permits) gives polluters free profits for their pollution. This is because polluters increase the cost of their products as if they paid for the permits anyway.

The “Fixes” don’t Fix it:

- [“Auctioning” does not fix pollution trading.](#) Auctions for permits may reduce the amount of windfall profits to the worst polluters, but it does nothing to address the long history of trading program failures—resulting in little to no emissions reductions or innovation.
- [Gaming.](#) As we see with the current worldwide financial meltdown and as we saw with the California blackouts in 2001, when the name of the game is making money, things can and do get out of control. The *Los Angeles Times* wrote that “some companies stand to make a great deal of money under a trading system... This presents opportunities for Enron-style market manipulation.” [1]

The Trail of Failures:

- [European Union Emissions Trading Scheme \(EU ETS\).](#) PHASE I (2005-2007): Under Phase I greenhouse gases actually increased in some cases, consumers paid higher energy costs, and some of EU’s worst polluters gained billions in free profits. PHASE II (2008-2012): The EU ETS “is set to hand hundreds of millions of pounds to some of Britain’s most polluting companies, with little or no benefit to the environment... which comes from the over-allocation of carbon permits under the [EU ETS Phase II]....” [2] Before the scheme was enacted no coal-fired power plants were proposed, however, “European countries are expected to put into operation about 50 coal-fired plants over the next five years... The [EU ETS], has tried to make power plants consider the costs of carbon... But with the price of oil so high, coal is far cheaper, even with the cost of permits to pollute factored in...” [3]
- [Northeastern States’ regional greenhouse gas Initiative \(RGGI\).](#) Although RGGI agreed to auction 100% of permits, they sold for only \$3.07 per ton at the first auction in Sept. 2008. That low price will not stimulate much, if any, investment in reductions. Observers do not expect the price to rise high enough to matter for quite some time. [4]
- [RECLAIM program in Los Angeles.](#) In 1994, regulators promised this plan would result in the Los Angeles Air Basin meeting federal health-protective smog levels by 2003, well in advance of the 2010 deadline under the Clean Air Act. This year the SCAQMD asked for another extension to the “deadline” for reaching the standards to 2024.

Acid Rain: The Non-Success Success Story

- The Acid Rain program (also called the SOx trading program) focused on reducing emissions from coal-fired power plants. This trading program is NOT comparable for several reasons, 1) No offsets were allowed. 2) The scale of a carbon trading program would be up to 100x larger than that for sulfur. 3) Unlike SO2, there are no readily-available “technical fixes” for CO2 (e.g. there is no low-sulfur coal or SO2-scrubber equivalent) and technological innovation was not needed for SO2 reductions unlike what is needed for carbon reductions. 4) SO2 reductions in the U.S. were modest compared to direct regulatory programs in the EU that achieved twice the reductions twice as fast.

Cap-and-Fee:

- Cap on greenhouse gas emissions. California already adopted a Cap. Keep the cap—ditch the trade.
- Carbon Fee. A market mechanism (versus creating an entirely new free market under a trading program), to address the relatively low cost of fossil fuels as compared to clean energy. The Plan proposes a similar “mitigation fee” to regulate High-GWP gases, p.59-60, but does not consider a fee to help regulate carbon. A fee could be gradually phased-in on all fossil fuels at the first point of sale following import or extraction. A fee is simpler, and sends a clear and transparent price signal allowing regulated entities to plan ahead and make investments to transition towards clean energy. Under California case law, a carbon fee may be imposed as long as use of the revenue generated has a “substantial nexus” to the purpose it was imposed. [5] Whereas, “auction” revenue generated under a cap-and-trade program could be challenged as a “tax” that requires a 2/3 majority vote by the CA legislature.
- Broad-based support for a Carbon Tax (or Fee): Al Gore, James Hansen, and other leading climate change experts have all called for a carbon tax, versus a trading system. “Most economists consider a carbon tax a more effective instrument...” [6]

Direct Rules, Regulations & Incentives:

- “The primary purpose of the Scoping Plan is to develop a set of measures that will provide the maximum technologically feasible and cost-effective [GHG] emission reductions.” P.73. A majority of emissions reductions anticipated from the PSP will come from direct rules and regulations. It is therefore imperative that the overlying policy approach works to help achieve the goals of the regulations, such as aggressive (and expensive) renewable energy mandates. Carbon trading works against actualizing aggressive renewable goals because it potentially diverts 49% of investments towards diffuse global “offset” projects. If consumers ultimately receive the bill for such investments in higher energy and product costs, the public should demand a program that actually works together and not against itself. Examples:
- Renewable Portfolio Standard (RPS) - 33% by 2020; 80% by 2050
- Feed-in Tariff (FIT) to enable expansion of rooftop solar energy
- Diesel & High Global Warming Potential (GWP) gases regulations
- Agriculture regulations
- Waste management initiatives
- Transportation & Land Use plans
- Industry regulations, etc.



Our Present choices will shape the future for every generation to come.

Endnotes:

[1] “Time to tax carbon,” *Los Angeles Times*, May 28, 2007, <http://www.latimes.com/news/opinion/la-ed-carbontax28may28.0.2888366.story?coll=la-opinion-leftrail> [2] “Britain's worst polluters set for windfall of millions,” *The Guardian UK*, Sept. 12, 2008, <http://www.guardian.co.uk/environment/2008/sep/12/emissionstrading> [3] “Europe Turns Back to Coal, Raising Climate Concerns,” *New York Times*, Apr. 23, 2008, http://www.nytimes.com/2008/04/23/world/europe/23coal.html?_r=1&hp=&pagewanted=print&oref=slogin [4] Felicity Berringer, “States Aim to Cut Gases by Making Polluters Pay,” *New York Times*, Sept. 15, 2008, http://www.nytimes.com/2008/09/16/us/16carbon.html?_r=2&pagewanted=1&sq=RGGI%20Sept%2016&st=cse&adxnnl=1&scp=1&adxnnlx=1221584429-8TlcyCbosPt4vmURNU3wbw [5] *Sinclair Paint Co. v. State Bd. Of Equalization*, 15 Cal.4th 866 (1997). [6] Sewell Chan, “Bloomberg calls for Tax on Carbon Emissions,” *New York Times*, Nov. 2, 2007, <http://cityroom.blogs.nytimes.com/2007/11/02/bloomberg-calls-for-tax-on-carbon-emissions/>; <http://www.carbonfees.org/home/>; <http://www.carbontax.org/issues/carbon-taxes-vs-cap-and-trade/>