

## Can we afford to heed Gore?

By Margo Thorning

Al Gore's movie, *An Inconvenient Truth*, is already making waves, not surprisingly. Lately, you cannot pick up a newspaper or watch the news without some headline about greenhouse gases, global warming or efforts to combat it.

Despite many questions, governments around the globe seem to be in a frenzy to respond to a public that seems to want something done and to growing pressure from green groups that demand that something be done.

People may like the idea of government mandates to curb greenhouse gases, but they won't like the sticker shock that comes from many of the proposed solutions. Those who are frustrated by rising gas and energy prices will be outraged when they see the price tag for Mr. Gore's proposed solutions.

Despite the lack of scientific consensus over global warming, there are factual economic conclusions that can be drawn from government mandates to curb greenhouse gases.

To date, Mr. Gore continues to advocate U.S. involvement in the Kyoto treaty or its successor. In 1997, the Senate voted 95-0 to reject signing the treaty, citing the harm that the treaty could cause the economy.

Nearly a decade later, the European Union, Canada and other ratifying countries have failed to make a dent in emissions growth under the emissions trading system (ETS) of the Kyoto Protocol. What have been affected are the economies of countries struggling to meet their targets.

European Environmental Agency data show that the 15 EU ratifying countries are expected to be 4 percent above their emissions target in 2010 instead of 8 percent below 1990 levels, as required under the protocol. An association of British engineers and manufacturers recently reported that part of the 34 percent increase in British electricity prices in 2005 was because of the ETS.

Studies by the recognized macroeconomic research firm of Global Insight show a significant rise in energy costs for consumers and businesses if Britain, Italy, Spain and

Germany meet their Kyoto emissions reduction targets in 2010.

These costs are already being recognized as several European companies have announced that they will shift production to non-Kyoto countries, taking with them thousands of jobs. Norsk Hydro, a Fortune 500 energy and aluminum supplier, closed several production sites in Germany because of higher costs related to emissions trading and electricity prices.

All of these economic pains have led to many changed sentiments in Europe. British Prime Minister Tony Blair, once an ardent Kyoto supporter, stated, "The truth is no country is going to cut its growth or consumption substantially in the light of a long-term environmental problem. To be honest, I don't think people are going, at least in the short term, to start negotiating another major treaty like Kyoto."

Similarly, the new government under Canadian Prime Minister Stephen Harper has expressed concerns over the growing economic pains it has experienced as a Kyoto member. This month, Mr. Harper released his new budget and dropped most if not all of the Kyoto-based environmental programs.

Despite the lessons from our neighbors, many in the United States still insist on some Kyoto-style domestic agreement to curb greenhouse gas emissions. Republican Sen. John McCain of Arizona and Democratic Sen. Joseph I. Lieberman of Connecticut have introduced legislation to reduce U.S. emissions to 2000 levels in 2010.

The economic consulting firm CRA International analyzed the economic impact of the McCain-Lieberman cap-and-trade proposal and found that it would cost average U.S. households \$450 to \$720 a year. The United States would lose as many as 840,000 jobs in 2010 and up to 1.3 million jobs by 2020.

The greater risk for the United States under a fixed cap on emissions is the collision it would face with rapid population growth. The 15 EU countries are having difficulty

meeting their Kyoto targets with negligible population growth. In sharp contrast, U.S. population is projected to grow more than 20 percent from 2002 to 2025. More people means more energy and at least some additional greenhouse gas emissions.

Mr. Gore's movie will spark a new round of discussion about global warming, and policymakers from state houses to the United Nations will have choices about how to respond. They can learn from the lessons of the past under Kyoto and look to curb greenhouse gases through policies that will encourage research and development in cleaner technologies.

They can look to remove economic barriers that hinder investment and market reform to facilitate new technologies. Global solutions such as the new Asia Pacific Partnership on Development focus on economic growth and technology transfer that can truly be a catalyst to change.

Countries in the APP include India, China, South Korea, Japan, Australia and the United States. Their annual carbon dioxide emissions were nearly 50 percent of the global total in 2002. By reducing the barriers to the adoption of new energy efficiency technology and cleaner, less-emitting energy sources in developing countries, the APP can reduce energy poverty in developing countries as well as energy intensity (the amount of energy used to produce \$1 of output). Slowing the growth of emissions in developing countries is a cost-effective approach to addressing the potential threat of climate change.

The other choice is to follow Mr. Gore and tinker with failed policy that would lead to sharp increases in already high energy prices, lost jobs and reduced revenue. That's an inconvenient truth that we cannot afford.

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*Margo Thorning is senior vice president and chief economist of the American Council for Capital Formation. Her e-mail is [drthorning@accf.org](mailto:drthorning@accf.org).*