

Alaska
Costs to the State under the Lieberman/Warner
Proposed Legislation to Limit Greenhouse Gas Emissions¹

This study analyzes the economic costs of the Lieberman/Warner Climate Security Act (S.2191 or L/W bill) at the state and household level for the citizens of Alaska. The L/W bill would enforce a nationwide cap and trade program for the emissions of greenhouse gases (GHGs). It would reduce GHG emissions covered by L/W to 4,886 MMTCO₂ by 2020 and then to 1,718 MMTCO₂ by 2050. CRA estimates this to be approximately a 27% reduction from 2005 levels by 2020 for those sectors of the economy covered by the bill, and a 74% reduction by 2050. Covered emissions are assumed to include all CO₂ emissions from combustion of fossil fuels in the United States, plus non-CO₂ GHG emissions included in the L/W cap. The price of carbon permits could reach \$74 per metric ton of CO₂ by 2020 and could increase to \$88 by 2030.²

Higher energy costs would reduce jobs

Alaska would lose 21,000 jobs in 2020 and 76,000 jobs by 2050 relative to the baseline forecast (in other words, what would happen without cap and trade or carbon tax legislation).

Household income falls as energy and other prices rise

Costs per household rise over time as emission caps become more difficult to meet. Relative to its current real spending power (year 2010), an average household in Alaska would lose \$4,404 per year in 2020, rising to \$8,760 by 2050.

Energy prices rise as the additional cost of carbon emissions directly impacts the prices paid by consumers for energy. Alaska consumers will have to pay 46% more for natural gas and 30% more for retail gasoline by 2020. By the year 2050, those prices will be twice those of the baseline. The wholesale price of electricity rises by 90% relative to the baseline in 2020. Households and businesses will pay more at the retail level.

Economic growth would slow

The loss in the gross state product (GSP) causes Alaska's economy to grow more slowly over time, falling to 0.8% below the baseline forecast in 2020. GSP will remain well below baseline levels after 2020 unless new, affordable GHG-control technologies become available over time.

Most industries suffer losses in production

The output of goods and services declines in almost all of Alaska's industries. Oil industry output falls 40% by 2020 and 50% by 2030. The transportation sector experiences a 25% decline by 2020. There is a small gain in the gas industry by 2020 that is reduced significantly by 2030, while the electricity sector experiences a 19.8% decline in output by 2030.

¹ These are preliminary results using the same MRN-NEEM model that Dr. Anne Smith used as the basis of her November 8, 2007 testimony to the Senate EPW Committee concerning the costs and impacts of S.2191. The results reported here reflect provisions of S.2191 as it was reported out of the EPW Committee; Dr. Smith's testimony was based on S.2191 as originally introduced. For more information on the model, see http://www.crai.com/pubs/pub_7748.pdf

² All dollar figures in this summary are presented in constant 2007 dollars.