THE ECONOMY/COSTS OF INACTION

Q: Will this hurt the economy?

Answers:
-Doing nothing will harm the economy the most. If current trends continue, the total cost of global warming in the United States could be as high as 3.6 percent of GDP by 2100. (Ackerman and Stanton, 2008)

-Doing nothing about our carbon overload will cost far more than addressing global warming. Sir Nicholas Stern, who oversaw a review of the economics of climate change for the British Treasury, concluded that global warming may cost the world close to $10-trillion by next century due to rising sea levels, famine, storms and other environmental harm. Inaction would eventually cost the world the equivalent of between 5 and 20 percent of global gross domestic product each year. In contrast, significantly reducing our emissions would cost 1 to 2 percent of world economic output by 2050.

-A report by EDF synthesizes the findings of five respected academic and governmental studies and found a well-designed cap-and-auction program could slow economic growth by about a half a percent of GDP by 2030 and by three-quarters of a percent of GDP by 2050. The study found: "The United States can enjoy robust economic growth over the next several decades while making ambitious reductions in greenhouse gas emissions. If we put a cap-and-trade policy in place soon, we can achieve substantial cuts in greenhouse gas emissions without significant adverse consequences to the economy. And in the long run, the coming low-carbon economy can provide the foundation for sustained American economic growth and prosperity."

-In short, if we dramatically cut pollution, the economy will grow at roughly the same rate as if we don't. (EPA, EDF, Stern Review, Chamber of Commerce and others).

-If you factor in the health and environmental costs, coal-based electricity isn't so cheap anymore. As we invest money in our energy system we need to be much smarter in thinking about the true costs of our approach to getting energy.

ELECTRIC BILLS:

Q: Is this going to cause an increase in electric bills?

Answers:

-Some electricity prices (rates) may increase under a cap-and-trade program, but people's bills would go down if we invest in programs to improve energy efficiency. Moreover, reduced energy demand and increased use of clean energy sources (solar, wind, etc) would lower the demand for fossil fuels, bringing the cost down for these fuels.

(Regarding efficiency and clean energy, the administration supports some of the auction revenue going to those programs.)

[We and the administration also want some of the auction revenue to go to vulnerable communities that may need help transitioning to a clean energy economy.]

GASOLINE:

Q: Will I pay more to fill up my car?

Answer:

No. If we adopt a comprehensive climate policy that includes both cap-and-trade and standards that will require all cars and trucks to cut carbon emissions, it will actually cost you less to keep your car filled up each year. This is because cars will go further using less gas.

Under such a smart climate policy approach, cap-and-trade might add $0.30 to $0.50 to the price of a gallon of gas by 2030 (less than we saw gasoline prices rise over two months during the spring of 2008), but consumers would save money at the pump because the addition of vehicle carbon standards would boost fuel economy. For example, if gas prices are $2.50 per gallon currently, the cap might boost the price to $3.00, but then increasing fuel economy from today's 25 mpg to 55 mpg by 2030 would save consumers over $120 billion, even after paying for the necessary technology changes. The net effect from cap-and-trade and tailpipe carbon standards is the equivalent of cutting gasoline prices by more than $0.65 per gallon by 2030. So gas prices might go up a bit, but it will actually cost you less to keep your car filled up.

Putting billions back into consumers pockets every year will allow money to flow back into local economies instead of padding oil company profits. This money will help create hundreds of thousands of new jobs.

And on top of all that, we would cut oil use and our dependence on imports.

JOBS:

Q: Will this cause us to lose jobs?

Answers:

-Renewable energy technology would create nearly three times as many jobs as producing an equivalent amount of electricity from fossil fuels. This is according to the Union of Concerned Scientists’ analysis "Cashing in on Clean Energy." (Other analyses have similar findings.) If, for instance, 20 percent of the nation's electricity were generated by clean energy sources, the U.S. would gain 185,000 jobs by 2020.

-Cap and trade will encourage investment in innovative, clean technology. This means jobs in fields from engineering to manufacturing, architecture to the building trades. These jobs will build the wind farms, solar panels, and hybrid cars of the new economy and develop and install energy-saving technology for our homes, our businesses, and export abroad.

-If asked about lost coal jobs: We support using some of the auction revenue from a cap-and-auction bill for worker retraining.

Will jobs go overseas to places that don't have carbon caps? (Answer taken from World Resources Institute analysis)

Answer:

Carbon-intensive industries that compete with foreign companies and could be affected by a cap-and-trade system make up only three percent of U.S. economic output and less than two percent of nationwide employment.

(These are sectors heavily exposed to global competition, in which energy makes up a significant share of their productions costs. They include: iron and steel, aluminum and copper, cement and glass, paper and pulp and basic chemicals.)

A well designed cap-and-trade system can ensure these jobs stay in the U.S. Some of the auction revenue can be used to help the companies keep down their labor-related costs, such as healthcare or payroll taxes. Other ways to keep down the industries' costs include letting them bank and borrow allowances and purchase offsets if they cannot reduce their carbon emissions.

IS IT REALLY A TAX?

This generally is said by people who try to frame the issue as: "the economy can't afford this; it's really a 'tax.' " Use the above talking points that answer questions about whether cap-and-trade will hurt our economy, or cause an increase in electric and/or gas bills.
In addition:

-While some polluters may be complaining about having to cut their pollution - or buy allowances to pollute if they can't make the required cuts - consider how global warming will affect our lives and our economy if we don't take action. Cite above findings of Stern and Ackerman and Stanton 'costs of inaction' reports. We must act like the competent and responsible people we are by taking action now. Otherwise it's like having termites in your house - the longer you wait to address the problem, the worse it becomes.

(If questions get in the weeds about the mechanics of a tax:)

Cap-and-auction forces polluters to cut their pollution and gives them an economic incentive to do so. If polluters are able to cut their emissions by more than is required, they can sell those allowances to polluters that are unable to make the required cuts. A cap and auction program also gives companies an incentive to spur innovation, manufacture clean technology and create jobs. The revenue from a cap-and-auction can benefit society if it is reinvested in the economy, by, for example, helping consumers lower their electricity bills.

A tax will force a reduction in emissions as well; the problem is that we cannot be certain about how much of a reduction will occur in response to a particular tax and therefore we cannot be sure about hitting the science-based reduction targets.