

BOXER-WARNER-LIEBERMAN

ALSO KNOWN AS

“THE TAX-AND-TRADE BILL”

AND

“SEND JOBS TO CHINA AND INDIA BILL”

AND

“OUR GAS PRICES ARE NOT HIGH ENOUGH BILL”

KEY FOUR FACTS

1. BOXER-WARNER-LIEBERMAN WILL RAISE GAS PRICES EVEN FURTHER

The Environmental Protection Agency estimates that Boxer-Warner-Lieberman will increase the cost of a gallon of gas by more than 53 cents by 2030 and \$1.40 by 2050.

http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf

The National Association of Manufacturers (NAM) estimates that Boxer-Warner-Lieberman will increase the cost of a gallon of gas by as much as \$3.25 by 2030.

<http://www.accf.org/pdf/NAM/fullstudy031208.pdf>

2. BOXER-WARNER-LIEBERMAN WILL LEAD TO ENORMOUS JOB LOSSES

NAM estimates that Boxer-Warner-Lieberman will cause up to 1.8 million job losses by 2020 and up to 4 million job losses by 2030. The U.S. could begin to shed 850,000 jobs per year starting in 2014.

(<http://www.accf.org/pdf/NAM/fullstudy031208.pdf>)

3. BOXER-WARNER-LIEBERMAN WILL REDUCE ECONOMIC GROWTH DRAMATICALLY

The EPA estimates that the economic cost of Boxer-Warner-Lieberman will be \$1 trillion America by 2050.

(http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf)

4. BOXER-WARNER-LIEBERMAN WILL IMPOSE SKYROCKETING ELECTRICITY COSTS

The EPA estimates that Boxer-Warner-Lieberman will increase electricity prices by 44% by 2030.

(http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf)

BACKGROUND ON BOXER-WARNER-LIEBERMAN CAP AND TRADE BILL

In June 2008, the United States Senate will debate S. 2191, better known as the Boxer-Warner-Lieberman, or “America’s Climate Security Act.” Authored by Senators John Warner (R-VA) and Joe Lieberman (I-CT), the bill would implement a cap-and-trade policy to reduce U.S. greenhouse gas (GHG) emissions to 4% below the 1990 level by 2020, and to 63% below the 2005 level by 2050, according to its authors. The bill would cap the total amount of GHGs emitted in America, direct the government to auction GHG permits to American businesses, and set a declining cap on GHGs between 2012 and 2050.

The bill would also establish a number of new organizations and programs:

- **The Climate Change Credit Corporation:** Auctions emission allowances.
- **The Carbon Market Efficiency Board:** Observes and reports on the GHG emission market; provides cost relief if the emission market is deemed too harmful to the U.S. economy.
- **The Climate Change Worker Training Program:** Assists workers displaced by the bill and helps transition them into new “green” jobs.
- **Energy Assistance Fund:** Provides “reasonably-priced” electricity to off-grid rural energy consumers (at the discretion of the Secretary of Energy) whose price of electricity exceeded 150% of the national average.
- **The Climate Change and National Security Fund:** Includes the Secretary of State, Director of National Intelligence, and the Secretary of Defense; would submit annual reports on global GHG levels and any resulting compromises to America’s national security.

ESTIMATED FINANCIAL COSTS OF BOXER-WARNER-LIEBERMAN CAP AND TRADE BILL

(Studies of the Congressional Budget Office (CBO), the Environmental Protection Agency (EPA), the National Association of Manufacturers (NAM) and Economists All Attest to the Negative Economic Impact of Boxer-Warner-Lieberman Cap and Trade Bill)

CBO: Cap-and-Trade System Would Cause ‘Higher Prices for Consumers’ and ‘Windfall Profits’ For Large Firms. “Policymakers' decisions about how to allocate the allowances could have significant effects on the overall economic cost of capping CO₂ emissions, as well as on the distribution of gains and losses among U.S. households. Giving allowances away to companies that supply fossil fuels or that use large quantities of fossil fuels in their production processes could create ‘windfall’ profits for

those firms. The reason is that the cap-and-trade program would still result in higher prices for consumers and households but would not impose additional costs on those firms. Even if the companies received allowances for free, they would still raise prices to their customers because the cost of using an emission allowance for production—rather than selling it to another firm—would be embodied in the prices that they would charge for their goods and services. The resulting price increases would disproportionately affect people at the lower end of the income scale.”

(Peter R. Orszag, “Approaches to Reducing Carbon Dioxide Emissions,” Testimony – Congressional Budget Office, November 1, 2007: <http://www.cbo.gov/ftpdocs/87xx/doc8769/11-01-CO2Emissions.htm>)

CBO Predicts High Costs For Boxer-Warner-Lieberman. In April 2008, the Congressional Budget Office revealed the following facts about the Boxer-Warner-Lieberman Cap and Trade Bill:

- **Bill Would Cost Americans Over \$1 Trillion In Next Decade.** From 2009-2018, Boxer-Warner-Lieberman would cost Americans roughly \$1.2 trillion, and discretionary spending would increase by about \$3.7 billion.
- **Includes Expensive Private Sector Mandates.** “The most costly mandates [of the Boxer-Warner-Lieberman bill] would require certain types of private-sector entities to participate in the cap-and-trade programs for GHG emissions created by the bill. CBO estimates that the cost of those mandates would amount to more than \$90 billion each year during the 2012-2016 period, and thus substantially exceed the annual threshold established in UMRA [Unfunded Mandates Reform Act] for private-sector mandates (\$136 million in 2008, adjusted annually for inflation).”
- **With Boxer Amendment Now Included, Boxer-Warner-Lieberman Would Increase Discretionary Spending By Over \$80 Billion During Next Decade.** During committee markup in December 2007, Senator Barbara Boxer (D-CA) added an amendment

to the original bill to make it deficit neutral, and the CBO assessed the amended version separately. “CBO estimates that enacting S. 2191, as amended...would increase discretionary spending by about \$84 billion over the 2009-2018 period.”

(Congressional Budget Office, “Cost Estimate – S. 2191: America’s Climate Security Act of 2007,” CBO, April 10, 2008:
<http://www.cbo.gov/ftpdocs/91xx/doc9120/s2191.pdf> and
http://www.cbo.gov/ftpdocs/91xx/doc9121/s2191_EPW_Amendment.pdf)

EPA Economic Analysis Concludes Boxer-Warner-Lieberman Would Be Costly. The EPA released a list of key facts of the Boxer-Warner-Lieberman Bill:

- **Boxer-Warner-Lieberman Would Cost Americans At Least \$238 Billion By 2030 and Over \$1 Trillion By 2050.** If passed, Boxer-Warner-Lieberman would cause GDP to be between 0.9% (\$238 billion) and 3.8% (\$983 billion) lower in 2030 than if the bill was not in place. In 2050, GDP would be between 2.4% (\$1,012 billion) and 6.9% (\$2,856 billion) lower than projected without passing Boxer-Warner-Lieberman.
- **Electricity Prices To Rise Dramatically.** “Electricity prices are projected to increase 44% in 2030 and 26% in 2050.”
- **Asymmetrical Costs.** “The largest GDP and consumption impacts are in the Plains region.”

(“EPA Analysis of the Lieberman-Warner Climate Security Act of 2008,” United States Environmental Protection Agency, March 14, 2008:
http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf)

National Association of Manufacturers Rejects the Warner Lieberman Cap and Trade Bill. The National Association of Manufacturers (NAM)

and American Council for Capital Formation (ACCF) released a study in March 2008 on the economic impact of Boxer-Warner-Lieberman cap and trade bill:

- GDP would be reduced by \$151-\$210 billion by 2020; in 2030, GDP would be reduced by \$631-\$669 billion (in 2007 dollars).
- There would be 1.2-1.8 million jobs lost in 2020 and 3-4 million jobs lost in 2030.
- Manufacturing would slow and shipment values would fall 3.2 % to 4% in 2020; by 2030 the value of shipments would fall by 8.3 % to 8.5%.
- Household income would be reduced by \$739-\$2,927 in 2020 and \$4,022-\$6,752 (in 2007 dollars) in 2030.
- Electricity prices would increase by 28%-33% by 2020 and 101%-129% by 2030
- Gasoline prices would increase 20%-69% by 2020 and 77%-145% by 2030.

(American Council for Capital Formation and National Association of Manufacturers, “Analysis of the Lieberman-Warner Climate Security Act (S. 2191) Using The National Energy Modeling System,” March 12, 2008: <http://www.accf.org/pdf/NAM/fullstudy031208.pdf>)

Economist Anne Smith: Large GDP Losses Under Boxer-Warner-Lieberman. Economist Anne Smith of CRA International, a financial consulting firm, testified before Congress on the potentially destructive economic impacts of Boxer-Warner-Lieberman, and discovered the following:

- **Unfair Distribution of Costs.** “Our scenarios imply that S.2191 would decrease US average economic welfare by 1.1% to 1.7%. This impact varies by region, and...we find that New York, New England

states, and California would experience welfare impacts substantially less than the US average, while regions heavily reliant on fossil fuel energy sources would face impacts somewhat greater than the US average.”

- **Punitive Effect On GDP.** Rather than allowing healthy economic expansion, Boxer-Warner-Lieberman would restrain GDP growth. “GDP would be lower in 2015 by about \$160 billion to \$250 billion. Eventually, the annual loss in GDP would increase to the range of \$800 billion to \$1 trillion (stated in real, 2007 dollars).”
- **Job Loss Much Greater Than Green Job Creation.** “Naturally, with reductions in GDP come reductions in real wages and job losses. We have estimated 1.2 million to 2.3 million *net* job losses by 2015 over our set of scenarios. By 2020, our scenarios project between 1.5 million and 3.4 million net job losses. There is a substantial implied increase in jobs associated with “green” businesses (e.g., to produce renewable generation technologies), but even accounting for these there is a projected net loss in jobs due to the generalized macroeconomic impacts of the Bill.”

(Anne Smith, “Prepared Statement of Anne E. Smith, Ph.D., at the Legislative Hearing on America’s Climate Security Act of 2007, S. 2191,” United States Senate Environment and Public Works Committee, November 8, 2007:
http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=80bc79be-c338-4a76-b438-205eb79da3d5)

Cost to the Average Family Estimated at Nearly \$17,000.

(WashingtonWatch, “S. 2191, The America's Climate Security Act of 2007,” 2008:
http://www.washingtonwatch.com/bills/show/110_SN_2191.html)

Conservative and Evangelical Leaders Sign Letter Opposing Boxer-Warner-Lieberman. In a letter sent to all 100 U.S. senators, over 70 scientists, evangelicals, and conservative leaders made the following

statement: “We the undersigned write to urge you to reject legislation that imposes regulations on American energy usage through a so-called ‘cap-and-trade’ provision in a vain attempt to change global average temperatures.” The letter further asserts that “the current offering of cap-and-trade measures would produce imperceptible climate change while doing grave harm to our economy, the poor, and U.S. competitiveness.”

(“Conservative Leaders Write Congress Letter Against Lieberman-Warner Bill,” American Environmental Coalition, March 17, 2008: http://www.americanenvironmental.org/index.php?option=com_content&task=view&id=75&Itemid=38)

**GINGRICH EXPLAINS THE DIFFERENCE BETWEEN
THE CAP AND TRADE APPROACH USED IN THE 1990s
FOR SULFUR DIOXIDE EMISSIONS AND THE
PROPOSED CAP AND TRADE APPROACH TO
REGULATE CARBON EMISSIONS TODAY**

(Source: Newt Gingrich, "BookTV – 'In Focus'," C-SPAN, December 10, 2007)

Well I actually helped pass the Clean Air Act you were describing in 1990. I was the Republican whip at the time, and it did establish a cap and trade program for sulfuric acid, largely to clear up acid rain in the Northeast. But remember, that's a very specific product of a very small number of electrical plants and can be monitored pretty easily.

[By contrast,] [c]arbon is ubiquitous to the whole economy, it is an enormously more complicated topic, and in Europe the efforts at cap and trade I think have been pretty much a failure and have led to all sorts of distortions. I was delighted that Senator Kerry was moving towards a market oriented approach and I said so at the time at that debate, our discussion would be a more accurate term.

The difference is I would like to lower the price of hydrogen, of ethanol, of wind, of solar, because I think you're going to get faster acceleration of new innovation if you lower the price of the good products of the future rather than raise the price of the obsolete products of the past. When we decided we wanted transcontinental railroads, we didn't start by raising the tax on stage coaches. We started by setting up incentives, both land and money, to encourage companies to build railroads. When we decided that it was time to fundamentally move toward automobiles, we didn't start taxing horse and buggy to get people to move, we required Henry Ford to invent mass production and to dramatically lower the cost of buying a car, so people could afford it. When we wanted the air mail system in the 1920s we subsidized airlines to carry the air mail, we did not try to tax trains for carrying mail.

So I think the idea of punishing people into the future is in the long run much more expensive and doesn't get the change you want. Increasing the

pain level is not the key. Increasing the reward level for innovation and science and technology and having prizes, I'd like to see us have a billion dollar tax-free prize for the first hydrogen engine that can be mass produced at a reasonable price because that kind of breakthrough changes all of the environmental equation and all of the energy equation and would liberate us from dependence on dictators in Venezuela and the Middle East.