

Tom Power - March 17, 2008

The Energy Industry's Attack on the Regulation of Greenhouse Gases

Some elements of the energy industry, while taking time out from raking in the stupendous profits they are making from high energy prices, have launched a national campaign to convince Americans that the regulation of greenhouse gases to control global warming will impose crushing costs on Americans, throwing huge numbers of people out of work, while stalling the national economy.

Sponsored by two of the largest regional producers of greenhouse gases, PPL Montana and MDU Resources, who burn coal to produce electricity, these folks will be visiting Montana later this week seeking to scare Montanans out of doing anything to reduce the emission of greenhouse gases.

Despite numerous studies from respected research institutes and more recently from the U.S. Environmental Protection Agency showing that major reductions in green house gases are possible with very little negative impact on the American economy, these folks will be flogging their own studies showing the opposite.

Debates over dueling complex computer models can be mind numbing, but, if we step back and look at the assumptions that these major polluters used to try to scare us out of trying to control that pollution, the debate is not all that complicated.

They begin by implicitly assuming that the efforts to reduce the emissions of greenhouse gases have no real purpose and, therefore, no benefits whatsoever. That allows them to focus exclusively on totaling up the costs associated with such regulation. Instead of a benefit-cost analysis, they carry out only a cost analysis, assuring a negative result.

The implicit assumptions here are that either greenhouse gas emissions have no damaging effects, something disputed by the vast majority of the world's scientists, or that, even if they do, there is nothing we can effectively do about controlling those emissions. Of course these polluters are working hard to assure that no control of greenhouse gases continues to be the reality in the United States. That will encourage other major greenhouse gas emitting countries also to do nothing and the pessimism about controlling emissions will become self-fulfilling.

Second, they assume that our economy is a completely non-adaptive system that, when faced with the need to stop doing one thing that is damaging or destructive can only throw up its arms in despair and just quit. Entrepreneurial and technological adaptation just is not possible. The only way we can do

things is the way we have done them in the past. Nothing else is possible. For business organizations to be describing our private enterprise, market economy in this way is incomprehensible. The only reason to make this assumption is that it allows them to grossly inflate their imagined costs of adjusting to a new reality.

Third, they assume that when employment declines in the polluting sectors of our economy, those workers become permanently unemployed. The fact that workers will be needed in the industries that will help us improve the efficiency with which we use energy and to produce energy from alternative sources is ignored. The fact is that there are very few American jobs associated with the huge quantities of energy we import, at risk to our national security, from other countries and few jobs associated our increasingly automated domestic energy industries. Many of the alternatives to which we will turn are more labor intensive and will boost the demand for labor, not reduce it.

Fourth, they spin out big numbers but never put them in any meaningful context that would allow us to understand how disturbed, or not, we should be by them. For instance, they project that the leading greenhouse gas emissions bill in the US Senate will lower average household incomes by almost \$7,000 a year. But that is based on a projection of what average income will be 23 years from now with and without greenhouse gas regulation. Their projection is that average household income in 2030 would be \$137,000 per year without regulation and “only” \$130,000 with regulation. Those are real increases in income with inflation subtracted out. Our average real incomes will increase \$52,000 per year without regulation, but we will enjoy “only” a \$45,000 per year increase in average incomes with regulation. According to these industry projections, if we acted aggressively to do our part to control global warming, we would have to wait all of two or three years to reach the same astronomical level of income, the year 2033 instead of 2030. That is not impoverishment or deprivation by any means.

Their projections for Montana are that 11,000 to 15,000 jobs could be lost due to greenhouse gas regulation. That sounds like a massive number of jobs to lose. But it is not job losses that are projected but just slightly slower job growth over the next quarter century. Over the last three years Montana has been adding about 20,000 new jobs a year. Over the last quarter century the growth in jobs has been about 2 percent per year which would be about 13,000 additional jobs this year and 20,000 new jobs in the year 2030. If our economy is as dumb and inflexible as these folks assert, greenhouse gas regulation will reduce this annual job creation from 13,000 or 20,000 jobs per year to 12,500 or 19,400 jobs per year. That slightly lower rate of job creation is hardly worrisome.

The cost to Montana, America, and the world of doing nothing about global warming is likely to be catastrophic. The cost of aggressively acting now to end

our wasteful use of energy will be quite bearable. We have the ingenuity and technology to head off this catastrophe. The only question is whether we have the moral courage and political will to do so. The representatives of some of the region's and nation's leading energy companies will be visiting us this week, hoping to scare us enough so that the answer to that question will be a whimpering no.