

Environmental Watch

Examining Environmental Claims and Their Costs • March 2008

What Washington's Climate Change Legislation Means For You

by Todd Myers

Claim

"Gov. Chris Gregoire today signed legislation that will lead to reduced greenhouse gas pollution, increase Washington's energy independence and set the stage for creating thousands of new "green collar" jobs."

Office of Governor Chris Gregoire, "Gov. Gregoire signs bill to fight climate change and grow the state's economy," March 13, 2008, <http://www.governor.wa.gov/news/news-view.asp?pressRelease=817&newsType=1> (Accessed March 30, 2008)

Facts

To much fanfare, the legislature passed ESSHB 2815, "AN ACT Relating to creating a framework for reducing greenhouse gases emissions in the Washington economy." The bill sets a broad framework for reducing emissions, reducing vehicle miles traveled, promoting certain technologies to meet those goals and creating "green collar" jobs.

The new law, however, is unlikely to achieve those goals with the current strategy. Here is a close look at the intent section of the bill, which covers the first page of a 24-page bill.

"(1) The legislature finds that Washington has long been a national and international leader on energy conservation and environmental stewardship..."

...including air quality protection, renewable energy development and generation, emission standards for fossil-fuel based energy generation, energy efficiency programs, natural resource conservation, vehicle emission standards, and the use of biofuels.

Washington is also unique among most states in that in addition to its commitment to reduce emissions of greenhouse gases, it has established goals to grow the clean energy sector and reduce the state's expenditures on imported fuels.

Leadership is a word used often to justify policies that are likely to be costly and unlikely to be effective. Leadership is used as a justification only when a policy can't be justified on its merits.

Leadership in the use of biofuels is not something many states are bragging about anymore. Numerous studies have shown that the benefits of biofuels are questionable, and some argue that biofuels actually lead to increased greenhouse gas emissions. See, for example, The Royal Society, "Sustainable Biofuels: Prospects and Challenges," January 2008.

The goal of reducing "expenditures on imported fuels" sounds good, but it is disingenuous. The legislature is concerned about sending money out of state to Alaska, Mexico and Canada (our largest suppliers of fuel) but has no problem sending money to Denmark where wind turbines are manufactured. As a state that benefits greatly from international trade, we should produce the highest quality products (software and aircraft) and trade them for what we don't make.



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(2) The legislature further finds that Washington should continue its leadership on climate change policy by creating accountability for achieving the emission reductions established in section 3 of this act, p. 1 E2SHB 2815.PL participating in the design of a regional multisector market-based system to help achieve those emission reductions...

The good news is that the phrase “market-based” is used almost as frequently as “leadership.” This represents an acknowledgement that the voluntary, free market is more successful, powerful and consistent with democratic ideals than mandatory government-run systems. In this instance a “regional” system can only mean a cap-and-trade system. Caps are set on greenhouse gases and then those with allocations of emissions credits can buy and sell those credits to meet the caps.

...assessing other market strategies to reduce emissions of greenhouse gases...

There are other market strategies, like carbon taxes, but they are only given passing recognition here.

...and ensuring the state has a well trained workforce for our clean energy future.

The legislation calls for a workforce training program to teach students how to work in “green collar jobs” in order to create 25,000 such jobs by 2020. Such workforce training, however is unlikely to create net new jobs and does little to help companies move from the drawing board to production. As environmental economist John Whitehead noted recently, “In the short run, there’s no way net jobs are going to be positive from renewable energy alone. More brown-energy jobs will be lost.” Further, other states are trying to compete for the very same industries. Ohio, in a report funded by the Department of Development, “predicted that [green-collar jobs] could rise to 174,000 by 2030 under the right market conditions and aggressive pursuit by the state.”

(3) It is the intent of the legislature that the state will: (a) Limit and reduce emissions of greenhouse gas consistent with the emission reductions established in section 3 of this act;

Section 3 calls for Washington to reduce its greenhouse gas (GHG) emissions to 1990 levels by 2020 and by 50 percent below that by 2050. Europe has failed in ten years under the Kyoto Protocol to meet these same targets.

It also calls for a report on how that will be achieved. The report will be released December 1, 2008, one month after the election.

(b) minimize the potential to export pollution, jobs, and economic opportunities;...

...and (c) reduce emissions at the lowest cost to Washington's economy, consumers, and businesses.

Invariably there will be jobs exported to other states not participating in the regional cap-and-trade system being developed in the Western Climate Initiative. As restrictions increase, economic opportunities will flow to states where government imposed restrictions are fewer.

This is good rhetoric, but the legislation itself ensures that the goal won't be met. For instance, the workforce training program is unlikely to do much to help the economy, compared to a tax credit for capital investment. That, however, would reduce tax revenue, so the tax credit policy wasn't considered. Another government program was.

The best way to reduce emissions in a cost-effective way is to give families and businesses choices about how to achieve those goals. As we shall see later, however, the legislature has chosen to impose costly and restrictive lifestyle changes as opposed to a system that favors choice and the market.

Ultimately, this is a politically safe claim because proving that lower-cost alternatives exist is difficult and legislators can always point to this language.

(4) In the event the state elects to participate in a regional multisector market-based system, it is the intent of the legislature that the system will become effective by January 1, 2012, after authority is provided to the department for its implementation.

One supporter of the legislation says it is part of an effort to "re-make the economy of the nation, the entire globe." This puts that top-down transformation in the hands of the Department of Ecology. Let's hope they get everything exactly right.

By acting now, Washington businesses and citizens will have adequate time and opportunities to be well positioned to take advantage of the low-carbon economy and to make necessary investments in low-carbon technology.

This assumes that without such legislation, venture capitalists, investors and inventors would ignore such opportunities. Washington has a very strong creative economy and significant amounts of venture capital. Government has been notoriously poor at choosing the right technologies. It is unclear why elected officials would a) choose correctly now, and b) choose better than investors who have already had good success.

(5) It is also the intent of the legislature that the regional multisector market-based system recognize Washington's unique emissions portfolio, including the state's hydroelectric system, the opportunities presented by Washington's abundant forest resources and agriculture land, and the state's leadership in energy efficiency and the actions it has already taken that have reduced its generation of greenhouse gas emissions and that entities receive appropriate credit for early actions to reduce greenhouse gases.

Again, "leadership" is the justification, not the merits of the policy.

The accounting of GHG emissions is an opportunity for politics to intervene. For instance, the legislature wants to benefit from Washington's low-carbon hydroelectric power. Washington's renewable energy quotas, however, don't count hydroelectric power as "green." Accounting rules can change depending on the circumstances.

(6) If any revenues that accrue to the state are created by a market system, they must be used to further the state's efforts to achieve the goals established in section 3 of this act, address the impacts of global warming on affected habitats, species, and communities, and increase investment in the clean energy economy particularly for communities and workers that have suffered from heavy job losses and chronic unemployment and underemployment."

Government officials are extremely poor at choosing effective technologies. California officials recently abandoned their efforts to require zero-emissions vehicle, now favoring plug-in hybrid technology which emerged from the market. First, politicians are likely to choose technologies that favor their own voters. Second, they are not experts and are unlikely to have a good grasp of the many emerging technologies. Biofuels are a good example of this short sightedness. Only a few years after the legislature required their increased use, many are now pointing to many flaws in their use. Finally, subsidies for a preferred technology put other emerging technologies at a severe disadvantage. Those non-subsidized technologies must not only be better than the current state-of-the-art, but the competitor's subsidized price, which is even lower. As a result, excellent technologies may fail to be produced, not because they are not better, but because they cannot overcome both the competing technology and the additional advantage provided by political favoritism.

This is important. Because Washington has a "unique emissions portfolio," relying heavily on clean hydro and nuclear energy, a larger portion of our GHG emissions come from transportation. The legislature, in section 8 of the bill, chooses to impose a lifestyle modification approach, requiring people to drive less, causing vehicle miles traveled to fall by 18 percent per capita by 2020. To understand how unlikely that is, consider that Washington's drivers increased their vehicle miles traveled (VMT) by about 14 percent between 1980 and 2004. Washington families would have to reduce VMT by a similar amount in only ten years. The restrictions on personal freedom to achieve this goal will be have to be dramatic.

Despite the earlier commitment to reduce GHG emissions in a way that minimizes impact on the economy and consumers, the legislature here lays claim to any revenues from a cap-and-trade system and promises to spend them on favored government projects. This approach is much harder on citizens than the carbon tax proposed by Al Gore, which returns all revenues to consumers and businesses in the form of offsetting tax cuts.

Costs

State leaders have set some aggressive, and likely unrealizable, goals for greenhouse gas reduction in Washington. They are using regulation, not technology or incentives, to reduce greenhouse gas emissions to 1990s levels, despite Washington's growing population. This is a level that Europeans, even after adopting the Kyoto Protocol, have failed to achieve. Even so, in the years ahead state leaders will take significant steps to induce citizens to reduce their vehicle miles traveled, attempting to reduce a quarter-century of increases in just over a decade. If state officials are truly serious about reaching these goals, they'll have to impose restrictions on people's freedom of movement that are much more dramatic than those tried under Kyoto.

In all likelihood, however, two things will occur. First, people will continue to live the lifestyles of their choice to the best of their ability. This is why, despite increased fuel costs and more public spending on transit, per capita vehicle miles traveled continues to increase. Second, in order to make people change the way they live, government officials will have to drastically restrict freedom of mobility in society, and increase restrictions on housing and other community benefits.

The heavy requirements of the new greenhouse gas reduction law are likely to be unpopular. It is therefore not surprising that state lawmakers have ordered the Department of Ecology not to release the draft regulations until after the election.

Heading down a path that is costly and ineffective not only costs families and businesses, each failed and costly attempt undermines the willingness of the public to pay for environmental improvements.