

McCain-Lieberman: A Regulatory Pandora's Box

by Marlo Lewis, Jr.

Sen. John McCain (R-Ariz.) recently compared his push for another vote on the Climate Stewardship Act (S. 139), which the Senate rejected 55 to 43 in November 2003, to his seven-year campaign finance "reform" crusade. "It's an old strategy of mine: Force votes on the issues," he said. "Ultimately, we will win." Or, ultimately, he will lose. It is far from certain that McCain will get a rematch on S. 139 in this Congress. But in case he does, I tender the following observations.

Roadmap to Kyoto

The Climate Stewardship Act, co-sponsored with Sen. Joe Lieberman (D-Conn.), is at bottom a political roadmap back to the Kyoto Protocol, the United Nations global warming treaty that the Senate preemptively rejected by a vote of 95-0 in July 1997.

As originally introduced in January 2003, McCain's bill would have required the United States to reduce emissions of greenhouse gases, chiefly carbon dioxide (CO₂) from fossil energy use, in two stages: down to 2000 levels by 2010 (Phase I) and 1990 levels by 2016 (Phase II). Though not as restrictive as the U.S. Kyoto target—7 percent below 1990 levels during 2008-2012—Phase II was close enough for government work. Too close, in fact, to have any chance of passing.

In an effort to woo the fence sitters, Sen. McCain, in October 2003, stripped Phase II from the bill. The Senate still rejected it by a vote of 55 to 43, but to McCain, that vote was only round one; and now, he is demanding a rematch.

Radical Break Disguised as "Modest Step"

Proponents will undoubtedly argue, as they did last fall, that we need not worry about the bill's economic impact because Phase I is just a "modest" first step in addressing global climate change. A recent Energy Information

Administration (EIA) analysis suggests otherwise. According to EIA, Phase I would increase:

- Gasoline prices by 9 percent in 2010 and 19 percent in 2025;
- Natural gas prices in the industrial and electric power sectors by 21 percent in 2010 and 58 percent in 2025; and,
- Electricity prices by 35 percent in 2025.

Further, Phase I would reduce U.S. GDP by \$760 billion during 2004-2025 (or \$290 billion in present value). For comparison, consider that Congress has appropriated \$135 billion to pay for the war in Iraq.

And the costs do not stop there. Does anyone believe for a moment that enacting Phase I would appease rather than embolden the Kyoto lobby—or that enacting Phase I today would not make it easier to enact Phase II tomorrow? Phase I would impose Kyoto-like emission caps on major U.S. companies. Once subject to such regulation,

the inescapable byproduct of the carbon-based fuels—coal, oil, and natural gas—that supply 86 percent of all the energy Americans use. Enact Phase I, and you cross a regulatory Rubicon. From that moment on, the debate in Washington would no longer be about *whether* to suppress carbon-based energy production, but about *how much* and *how fast* to suppress it. There would be no difference in kind between U.S. law and the Kyoto Protocol. Ratification of Kyoto would surely follow.

Even if Kyoto ultimately collapses because Russia declines to ratify, other countries withdraw, or the whole scheme proves unenforceable, McCain-Lieberman would still be a regulatory Pandora's Box. The bill has a built-in escalator clause designed to ensure that Phase I is only the first in a series of energy suppression mandates. Section 336 would require the Undersecretary of Commerce for Oceans and Atmosphere to determine "no less frequently than biennially" whether the bill's emission caps remain "consistent" with the "objective" of preventing "dangerous" human interference with the climate system. In effect, the bill would turn the

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firms would have an incentive to lobby for the treaty's ratification in order to gain access to Kyoto's emissions credit market.

More importantly, any carbon emissions cap, however "modest," would radically change U.S. national policy. Never before has the U.S. Government regulated energy markets based on the carbon content of fuels or emissions—and for good reason. Carbon dioxide is

Department of Commerce—an agency beholden to McCain in his capacity as Senate Commerce Committee Chairman—into a permanent lobbyist within the executive branch for increasingly stringent curbs on energy use.

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Unsustainable Regulation

The harm is that Phase I would lock America into an all-economic-pain-for-no-environmental-gain regulatory regime that can only end in failure. This assessment is confirmed by a seminal study published in the November 1, 2002 issue of the journal *Science*.

The study, co-authored by 18 energy and climate experts, examined possible technology options that might be used in coming decades to stabilize atmospheric CO2 concentrations. Such options include wind and solar energy, nuclear fission and fusion, biomass fuels, efficiency improvements, carbon sequestration, and hydrogen fuel cells. The authors found that, "All these approaches currently have severe deficiencies that limit their ability to stabilize global climate." They specifically took issue with the U.N. Intergovernmental Panel on Climate Change's claim that, "known technological options could achieve a broad range of atmospheric CO2 stabilization levels, such as 550 ppm, 450 ppm or below over the next 100 years."

As noted in the study, world energy demand could triple by 2050. Yet, "Energy sources that can produce 100 to 300 percent of present world power consumption without greenhouse emissions do not exist operationally or as pilot plants." The bottom line: "CO2 is a combustion product vital to how civilization is powered; it cannot be regulated away."

Given current and foreseeable technological capabilities, any serious attempt to stabilize CO2 levels via regulation would be economically devastating and, thus, politically unsustainable. McCain-Lieberman is a dead end. A "modest" step on a journey one cannot complete and should not take is not progress; it is misdirection and wasted effort.

Trick Photography

But, some may ask, "Shouldn't we do something about global warming?" Well, for starters, we should try to understand how much global warming is taking place, and how serious a problem it is. Unfortunately, much of what passes today for "settled" science is misinformation, conjecture, or hype.

Last October's Senate debate on S. 139 provides a memorable case in point.

Sen. McCain displayed two satellite photos showing a significant contraction in Arctic ice cover between 1979 and today. To him, this was proof positive that CO2-induced warming was despoiling our beautiful world. "You can believe me or your lyin' eyes," he huffed.

However, Russian meteorological observations from 75 stations going back to 1875 show that the Arctic was warmer in the late 1930s and early 1940s than it is today. Yet most of the buildup in atmospheric CO2 concentrations occurred after 1940. For all we know (satellite photography did not exist 70 years ago), ice cover retreated as much during the 1930s and 1940s as it has in recent decades. What Sen. McCain dogmatically asserts to be a linear trend may in fact be the waning phase of a natural cycle.

Moreover, Arctic ice cover is affected not only by ambient temperatures but also by wind patterns, and whereas the dominant circulation pattern in the late 1950s and early 1960s favored ice

buildup, the dominant pattern in the 1980s and 1990s favored expansion of open water. Further, although the Arctic has warmed in recent decades, the climate models underpinning the Kyoto treaty predicted it would warm two to three times as much. The recent warming is within the range of natural variability.

In short, McCain's seeing-is-believing, before-and-after photos do not provide a shred of evidence that CO2 emissions are causing—or are likely to cause—an environmental disaster.

Overall, Sens. McCain and Lieberman propose an expensive non-solution to a greatly overstated problem. The Senate was right to reject this regulatory Pandora's Box the first time it was proposed. Today, with energy prices higher, the decision should be even easier.

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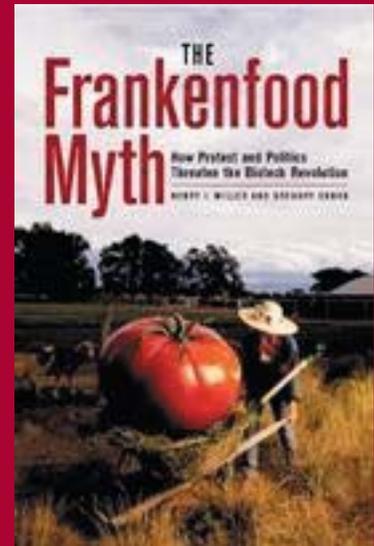
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