
The Competitive Enterprise Institute

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Committed to Advancing the Principles of Free Enterprise and Limited Government

June 3, 1999

No. 39

Alternative to Kyoto Protocol Concedes Too Much

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The Energy and Climate Policy Act of 1999, S. 882, has been introduced as an alternative action plan to both the Kyoto Protocol and proposals to allow “early crediting” for advance actions to reduce greenhouse gas emissions.² However, S. 882 fails to provide a compelling alternative because it does not articulate a new vision for energy and environmental policy that could displace the Kyoto mindset.

The principal problem with the legislation sponsored by Senators Murkowski, Hagel, Byrd, and others is that it buys into the fundamental premises behind Kyoto—that global warming is real, is a problem, and is directly related to emission levels of carbon dioxide. The approach taken by S. 882 also has some specific shortcomings that might be correctable, but would be much better if the authors focused instead on true pro-market measures. These include reducing existing tax and regulatory obstacles to technological innovation and enhancing overall productivity in the economy. The result would be more efficient energy use without a government mandate to do so.

Who's Winning this War? If momentum were building toward ratification of the Kyoto treaty or in favor of emissions credits as a back door way of implementing the Kyoto agenda, then a case could be made for S.882 as a form of damage control. But that kind of momentum isn't apparent with both business and environmental groups deeply divided on the issue.

Besides, even if alternative measures are needed for tactical reasons, it is not clear why they need be so closely tied to the Kyoto worldview. If our goal as a nation is to encourage greater energy efficiency, new and cleaner sources of energy, and true environmental benefits, then we need to pursue policies aimed directly at those ends. Opportunities exist in the tax code, regulations, and reducing subsidies to inefficient enterprises. S. 882 does none of the above. Let's take a look at what it does do.

The High Concept. The bill's legislative findings rightly point out that: (1) contrary to the Byrd-Hagel resolution, which passed the Senate 95-0, the Protocol would harm the U.S. economy; (2) the President has refused to submit the treaty to the Senate for ratification yet is trying to implement it by regulations; and (3) there is an inviolable link between environmental and economic progress.

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² Marlo Lewis, “Early Action Crediting: Growing the Kyoto Lobby at Small Business's Expense”, Competitive Enterprise Institute, *On Point*, Feb. 12, 1999. Also see Jack Kemp and Fred Smith Jr. “Beware of the Kyoto Compromise,” *New York Times*, Jan. 13, 1999.

Unfortunately, these positive points are undermined by other findings to the effect that despite scientific uncertainties global warming, we should go ahead with a global approach to reducing greenhouse gas. Why offer S. 882's carrots (and pork) to industry and academia to help deal with a problem that may not exist?

Command Central for Energy Planning. Since its policy underpinnings are questionable, it is no surprise that the specific terms of S. 882 quickly run into trouble. The bill, for example, would create a special new office in the Department of Energy to coordinate all department activities on climate change "and related matters." It is hard to see why this would be a good thing. This office would be another stop-off point for the climate change industry, and there is no way to ensure that it would advocate energy efficiency and innovation. In fact, S.882 doesn't even pretend it would do that. There is no way to prevent proposed outreach activities, such as disseminating objective information, from becoming political advocacy just because S. 882 says so.³ Bureaucracies take on a life of their own; this one would almost surely be captured by the climate control lobby.

Similarly, the bill attempts to strengthen already-existing requirements for industry and agriculture to report levels of greenhouse gas emissions and steps that reduce such emissions. Even though good information is better than bad information, there is no apparent purpose to this reporting unless you intend to do something about the results you get. For S. 882 to reinforce this demand for reporting threatens to give new life to a faltering climate change lobby dedicated to global industrial policy.

Getting hold of a bad piece of pork. S. 882 also provides \$2 billion over 10 years in new research, development, and demonstration projects that can show how commercially viable energy development, use, and production innovations can "help assist in stabilizing global concentrations of greenhouse gases". Normally an innovation demonstrates its commercial viability by being put on the market, not by depending on government handouts. This whole approach is reminiscent of the failed nostrums of the 1970s—government-funded research on synthetic fuels, tax breaks for nonviable but 'eco-friendly' energy sources, and the like. It may be industrial policy in miniature, but it's industrial policy all the same.

In Sum. It is not clear what mission this legislation is designed to achieve. Aside from the comments above, the Act has numerous provisions that duplicate other existing government programs in research and outreach areas. If the goal is enhancing productivity and economic growth, why not get serious about comprehensive regulatory relief for American entrepreneurs, fundamental tax reform that eliminates market distortions, and removing barriers to competition in energy markets? Cherry-picking a few 'small' initiatives that respond to the Kyoto mindset just reinforces the ideology behind Kyoto, without advancing any serious goals for the economy or the environment. S. 882 may serve a small-scale political objective (so Kyoto opponents can be "for" something), but it offers no alternative vision to the global industrial planning bureaucracy of which Kyoto would be just the first step.

³ James M. Sheehan, "Federal Government Doles Out Millions in Greenhouse Pork." *Competitive Enterprise Institute, On Point*, Aug. 19, 1998