
THE STORY OF Cap & Trade

FAQs



Are Enron and Goldman Sachs really designing Cap & Trade?

While there are many companies promoting Cap & Trade, both Enron and Goldman Sachs were pioneers in the climate-change industry. Enron launched an effort way back in 1993 to convince the newly inaugurated Clinton Administration and Congress to create a trading system for carbon dioxide emissions. And according to a 2009 Rolling Stone article by Matt Taibbi, Goldman Sachs ramped up its push for cap-and-trade legislation in 2008 when the firm spent \$3.5 million to lobby on climate issues. As Taibbi put it, "Goldman is ahead of the headlines again, just waiting for someone to make it rain in the right spot."

Who says this market is a racket?

Billionaire currency traders, for one. In 2007, George Soros said, "The cap-and-trade system of emissions trading is very difficult to control and its effects are diluted...It is precisely because I am a market practitioner that I know the flaws in the system." We need real solutions, not fatally flawed schemes.

Who's questioning Cap & Trade?

An increasing number of climate experts oppose the use of emissions trading. In February 2009 testimony before Congress, leading U.S. climate scientist James Hansen told Congress that Cap & Trade is "a give-away to special interests, who feel, based on extensive empirical evidence, that they will be able to manipulate the program through their lobbyists. Except for its stealth approach to taxing the public, and its attraction to special interests, Cap and Trade seems to have little merit."

What's really happening in Europe?

In 2005, the European Union initiated a cap-and-trade system to curb carbon emissions, but four years in, emissions have gone up, not down! Why? The Europeans awarded big polluters with more free pollution permits than their actual level of carbon emissions, which

not only gave them no incentive to reduce emissions, but it also caused the price of the permits to collapse. And even after the cap was adjusted, the system was so awash in cheap offset permits from the third world that no emissions reductions in Europe were actually required. Meanwhile, power companies who had chosen to do the cheapest thing to meet their targets—buying offset permits—passed on costs to their customers as if they were doing the most expensive. Now that's a scam.

What is "Ecological Debt"?

Everyone on the planet is entitled to a fair share of Earth's capacity to absorb greenhouse gases. But over the past two centuries, the U.S., Europe, and other rich countries have overused their fair share, accruing a debt to those in poor countries that haven't reaped the benefits of industrialization, but are already bearing the impacts of a warming planet disproportionately. Poor countries have demanded that rich countries, whose emissions have played an outsized role in creating the problem, take the lead in decreasing emissions, as well as provide financial assistance, clean technology, and other support to help their underdeveloped neighbors build an economically and environmentally sustainable future.

What can the EPA do about CO2 emissions?

The U.S. Environmental Protection Agency can't solve the climate crisis on its own but it can get us a lot closer than Cap & Trade. For example, the Clean Air Act provides an immediate way to reduce carbon emissions that is being underutilized and could quickly be applied to several thousand sources of pollution to force major cuts in greenhouse gas emissions right away. A U.S. Supreme Court ruling in April 2009 gives the EPA the power to regulate six major greenhouse gases that are contributing to climate change, but instead we're gambling away our future on Cap & Trade schemes.

What's the problem with coal?

Coal is the 800-pound gorilla in the room. According to the Pew Center on Global Climate Change, coal-fired power plants account for 27 percent of total U.S. greenhouse gas emissions. And the Los Angeles Times reported in June 2009 that the U.S. EPA projects that even if the emissions limits proposed in Congress go into effect, the U.S. would use more

carbon-dioxide-heavy coal in 2020 than it did in 2005. That's right, more coal when we need it the least.