THE CHRISTIAN SCIENCE MONITOR csmonitor.com

from the July 27, 2009 edition - http://www.csmonitor.com/2009/0727/p09s01-coop.html

A carbon protection racket

The Waxman-Markey bill's 'international offsets' amount to paying polluting countries not to pollute.

By Steven Stoft and Daniel Kirshner

BERKELEY, CALIF.
If your neighbors were making a terrible racket, would you offer to pay them to stop?

Of course not.

Sure, they'll stop today. But they'll soon be clamoring for more payments.

One of the major features of the Waxman-Markey cap-and-trade bill – the ambitious climate change legislation recently passed by the House – offers just such payments. It pays polluting countries not to pollute. And, as with the noisy neighbor, this will just encourage a continuing racket.

Here's the story: India has offered to cap its greenhouse-gas emissions – but only at a level 10 times higher than its own emission rate. China will not accept a cap at all, and at the Major Economies Forum on July 9, China and India even blocked setting a target for world emissions in 2050. This trend confirms that other developing countries will also stick with their anti-cap positions, leaving half the world's emissions unchecked and growing far faster than emissions from the industrialized nations.

The Waxman-Markey bill was supposed to remedy this problem by providing US leadership, which poor nations would follow by accepting caps. But this hope ignored the inequities of caps and ignored the bill's offer of an estimated $13 billion a year – growing to $83 billion annually in 2050 – to buy "international offset credits" from developing countries.

Such offset purchases encourage poor countries not to accept caps. Global cooperation requires a reversal in US climate policy toward developing countries. We must reward cooperation rather than the lack of it.

Buying offset credits pays emitters in developing countries to emit "less than they would have emitted." But implementing a cap cuts back on what "they would have emitted," and reduces their profits from selling offsets.

The House bill did not create this offset problem. The European Union's cap-and-trade scheme has long allowed European companies to buy UN-certified offset credits instead of cutting their own emissions. As Stanford researchers Michael W. Wara and David G. Victor found over a year ago, Europe's offset purchases have not drawn developing countries into "substantial limits on emissions," but have, "by contrast, rewarded them for avoiding exactly those commitments." As a result of this perverse incentive, Europe's cap-and-trade market is considering rules to ban the purchase of UN offset credits from major developing countries.

One of the offset schemes that Europe might ban involves a type of chemical plant found, among other places, in China. While dumping a notorious greenhouse gas into the atmosphere, the plant's owners suggest to the UN that the plant could incinerate the gas instead – if the owners were allowed to sell offsets. The particular gas emitted is 11,700 times worse than carbon dioxide, so naturally the UN agrees that the owners can sell 11,700 tons of emission offsets for every ton of gas incinerated. With offsets worth about $15 a ton, the profits have been enormous.

By purchasing such offsets, Europe pays poor countries not to harm the climate, and the House bill would do the same. Most markets, however, pay for "goods," not for stopping "bads." In the private sector, we call a market for not doing harm a "protection racket." By offering to pay protection money – by buying offset credits – we invite the protection-racket way of thinking into the realm of international negotiations.

For example, if China had committed to even a weak cap or carbon tax, it would have curbed its horrendous chemical-plant emissions. But instead, the Chinese and others have allowed these emissions to continue and have offered to protect the world from them – for a price.

There's nothing wrong with contributing funds to fight climate change in poor countries. They have done little to harm the climate. But our contributions should reward those who commit to join us in the fight. Although China and India are not likely to reconsider caps, there is still hope for a policy that rewards cooperation. Top economists, from N. Gregory Mankiw on the right to Joseph E. Stiglitz on the left, have long recommended a carbon tax as far better than a cap.

Poor countries reject effective caps because they limit their per-person emissions to far less than our own. But carbon taxes lack this offensive inequality. So China, India, and others might well commit to taxing carbon, especially if given some assistance for doing so.

With half the world rejecting caps, we must change course. First, remove the foreign offsets from the Waxman-Markey bill. They cost us dearly and only work against us. Then, devise a policy to reward those who commit to join us. Offering to be the "mark" for a global protection racket is no way to lead the world toward climate stability.

Steven Stoft is an economist and author of "Carbonomics: How to Fix the Climate and Charge It to OPEC" and "Power System Economics." He has worked on energy policy for over 20 years. Daniel Kirshner was a senior economic analyst at the Environmental Defense Fund, where he worked on state and federal energy policies for 26 years.

Full HTML version of this story which may include photos, graphics, and related links

Home | About Us/Help | Site Map | Feedback | Contact Us | Subscribe | Archive | Text | Corrections | Make Us Your Home Page

Privacy Policy | Rights & Permissions | Terms of Service | Advertise With Us | Monitor Mall | Today's Article on Christian Science

www.csmonitor.com | Copyright © 2009 The Christian Science Monitor. All rights reserved.