

# Environmental Justice Matters To Address Climate Change

June 10, 2009 - ENVIRONMENTAL JUSTICE ADVOCATES FILE SUIT TO FORCE CALIFORNIA TO FOLLOW THE LAW IN IMPLEMENTING THE AB32 GLOBAL WARMING SOLUTIONS ACT.

We are committed to bringing social and environmental justice to climate change policy. We live in, work on behalf of, or stand in solidarity with the people and communities that are hardest hit by the failure to control climate change. We know that these are the same people and communities who shoulder the crushing burden of the fossil-fuel infrastructure that is currently at the center of our energy portfolio. Those who live in the shadows of the oil wells, refineries, waste sites, power plants, freeways, manufacturing facilities, and good-movement corridors that sap health, endanger safety, and diminish quality of life. The opportunities in addressing climate change are great (green jobs, cleaner air, economic renewal, and a genuine transition to a clean energy future), while the risks of catastrophic climate collapse demand that we get the policy choices right.

The ultimate objective in designing climate change policy is to address climate change. Since the science is clear that the greatest human contribution to climate change is burning fossil fuel, the only way to seriously tackle our contribution is to change the way we make and use energy. If our policies do not achieve this principle objective, it is a mere distraction at best, or at worst, an actual barrier to achieving more effective policy approaches by squandering critically important time and resources.

Our voices combine with those of a multitude of others worldwide, that recognize that the stakes are too great to gamble on cap-and-trade (or pollution trading), offsets, and biofuels that fundamentally do not work to address climate change. In the 20 years worth of "experimenting" with pollution trading schemes, none of them have delivered the reductions promised, nor stimulated any notable innovation (See e.g., [www.carbonfees.org](http://www.carbonfees.org), and "Emissions Trading: A Mixed Record, with Plenty of Failures".)

Here, we seek to educate and to create honest and inclusive dialogue about climate change policy choices in order to develop effective climate policies that support social and environmental justice.

If you have updates or other information that we should be made aware of, please email: [nocarbontrading\[at\]enviroirights.org](mailto:nocarbontrading[at]enviroirights.org). If you are moved by the urgency to act AND the urgency to get it right, join us. Sign-on to our Declaration .

## Updates & Activities:

Continuing to Debunk the Myths of Cap-and-Trade, Round 2  
March 2009

**Myth 1:** Cap-and-Trade provides emissions certainty.

Many cap-and-trade proponents say they favor a cap-and-trade policy because it will provide "emissions certainty" by being able to quantify the number of permits distributed underneath the cap. Many of these same proponents, however, freely admit that once the program is loaded up with offsets, a politically negotiated cap, self-reporting of emissions, and other sources of "hot air" found in pollution trading programs the "cap" isn't really that "certain" after all. Adding cost-containment mechanisms (e.g. a price ceiling or safety valve) also builds-in permission to exceed the cap.

Even if a stringent cap were established, the idea that the emissions cap is the most important feature is mistaken. What we know about climate science is that there is a lot we don't know. We know that we must act quickly, but as science evolved it is more obvious that we must cut emissions more drastically than was believed even five years ago. Under the proposed "cap certainty" goal, we could achieve the desired cap and still not achieve the environmental goal. The "emissions certainty" crowd seems to forget that meeting the "cap" is not an end in itself. What we really need to do is

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move away from a fossil-fuel based energy economy.

On the other hand, designing a policy that sends a consistent price signal is the key to stimulating changed behavior, or the equivalent of telling a polluter “reduce your emissions, find a clean alternative, or pay.” In order for the entity to choose the first two options, the threat of “pay” must be sufficient and transparent enough to motivate changed behavior. When the price is hidden there is no motivation to change. If an entity can speculate that tomorrow the trading price will crash to as low as, for instance, the .04¢ per ton price paid under Phase I of the EU-ETS or to the \$1.86 per ton “price floor” of RGGI, then it has no motivation to change its behavior today, nor for an indefinite time into the future blocking the path to achieving significant collective emissions reductions and necessary targets. A consistent price of, for instance, \$12 per ton of CO<sub>2</sub>E in the near-term graduated up to, for instance, \$50/ ton in x years, is better than a price that can spike dramatically, resting at the floor or surging to the ceiling causing all to hold their breath and speculate.

When the price is transparent (e.g. a graduated \$50 tax in x year, possibly deferred temporarily but still providing certainty for budget-planning/ revenue-spending purposes), industry can plan ahead, make investments, reduce their emissions, and help transition us faster to a clean energy economy. Most economists have found that a carbon tax is the simpler approach and delivers a smoother price signal. (See e.g., Congressional Budget Office study .)

Claims that under either a tax or trade approach, that both are subject to gaming and similar sets of problems ignores the reality that the whole success of a trading program is dependent upon a perfectly orchestrated market subject to the vagaries of supply and demand and managed scarcity. Like building a house of cards, failure to properly establish any one element can topple the entire house. In the worst case scenario, you not only can get extreme prices (e.g. \$300,000 for a pound of particulate matter in the L.A. basin's air

pollution trading program with no significant innovation), but you can also get low prices motivating no change, no net benefit to the climate, and a whole host of social equity problems ancillary to a pollution trading program. There are too many well-documented ways that “managed scarcity” or the allure of tightened caps can fail to be realized either through design folly, political reality, or forces majeure. To pick the program choice that has repeatedly failed and has the least likelihood of success goes against any notion of balancing risks (i.e. likelihood of program success) versus harms (i.e. catastrophic climate change.)

**Myth 2:** We cannot design a carbon tax because we don't know what price to set.

Concerns about what price will be adequate to stimulate changed polluter behavior are irrelevant for three reasons: 1) the tax could be adjustable and or/flexible, and reviewed by an oversight board just as a price ceiling or floor would need to be reviewable under a trading program. 2) Designing a cap-and-trade scheme with a price control (e.g. a safety valve or price ceiling, which may be a requirement to address price volatility concerns), similarly requires setting the price at which to throw the price control switch. 3) Supporters of a trading system have calculated what the expected trading range for emissions credits would be and what that price's impact would be. We have a very clear idea of the price range needed for this policy to succeed. Both systems require establishing a price and thus, this factor favors neither a tax or trade policy choice.

**Myth 3:** A trading program with a price control is a carbon tax.

There are many distinguishing features between a carbon tax (a market mechanism harnessing the power of the market by attaching a price on measurable carbon emissions) versus a carbon trading system (creating a massive market with traded permits, and free market rules and regulations.) (See, e.g., Carbon Tax Center .) Having to set a price floor or ceiling under a trading program will subject that program to the same pitfalls as a tax of having to set a price. On the other hand, having a transparent tax at the outset

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accomplishes the objective of a price signal without the pitfalls of managing scarcity, bogus carbon reductions being counted as real, complex trading rules and all of the other flaws that caused every one of the previous trading programs to fail.

**Myth 4:** We can afford to ignore a program choice's likelihood of success.

If you believe that climate change is severe enough of a threat to warrant action, fighting for maximum program efficacy necessitates evidence-based policy comparisons. The untold reality of cap-and-trade is a mixture of the following: a long trail of failures, and a long list of problems endemic to pollution trading systems. Which, sure, we can try to continue to tinker around with, or we could decide to look objectively at alternatives knowing the risk of catastrophic climate change is too great to test fancy new free market design fixes using the world's collective future as the petri dish.

**Myth 5:** Inevitability: trading is going to happen no matter what.

Inevitability is as likely as we make it. Don't ever believe someone who tells you something is inevitable when they've got something to sell you. Or they're trying to push you onto (or under) a train. Don't ever get on a train without first asking the critical question of where are we going?

We hope that those interested in helping promulgate climate policy look at all of the evidence. We will not have what one think-tank has warned could be "the costliest mistake in human history" be a mistake with our name on it. We will not gamble our collective future for promises of money nor any slice of a pie that really means a doomed & contaminated future for all. The stakes are too great to ignore the great weight of evidence for or against particular climate policies. We hope that others will join us in an honest dialogue on these critical questions of efficacy in climate policy choices. We can't afford not to get it right.

"The great danger of confronting peak oil and global warming isn't that we will sit... and do nothing while civilization collapses, but that we

will plunge after 'solutions' that will make our problems even worse. Like believing we can replace gasoline with ethanol, the much-hyped biofuel that we make from corn." – "Ethanol Scam: Ethanol Hurts the Environment And Is One of America's Biggest Political Boondoggles," Rolling Stone, July 2007.