

Climate Change: It's Time for a Conservative Alternative

by Eli Lehrer

Eli Lehrer is President of the R Street Institute.

President Barack Obama's climate agenda announced in June represents the latest of many Democratic Party efforts to address climate change.¹ Although it includes no new legislation, the president's plan makes unprecedented use of executive branch powers and offers a great many things that appeal to core Democratic constituencies. Implemented in full, power plant carbon rules, further delays in economically beneficial pipeline projects, and added green energy projects would result in a bigger, more intrusive government that exerts greater control over the economy, rewards perceived "good guys," and punishes supposed "bad guys." Not surprisingly, the plan, like all previous Democratic efforts, has earned a suspicious and hostile reaction from conservatives.²

It doesn't have to be this way. Rather than pretend climate change is not a problem, there are ample opportunities for Republicans to point out the obvious flaws in the left's plans to deal with it and offer alternatives of their own. In short, conservatives can take a page from the liberal playbook and use the climate change issue to push policies that they favor anyway.

A detour into the undisputed facts about climate change illustrates why this strategy makes sense. Nobody seriously involved in the policy debate over climate change—not even those the left unfairly labels as "deniers"—actually denies that humans influence global climate.³ There is also no dispute that the earth is warmer than it was before the Industrial Revolution or that carbon dioxide and other greenhouse gases (GHGs) can trap heat energy.⁴

Likewise, there is little doubt that the worst plausible projections of sea-level rise and temperature change resulting from this warming trend would present major problems

in almost every corner of the globe. While more carbon in the atmosphere could have some benefits, such as fewer deaths from cold, it is also likely to pose a variety of severe problems ranging from droughts and floods to the destruction of commercial fishing. Nearly any accounting of these costs indicates they will exceed the benefits.⁵

On the other hand, the extreme alarmism from some corners of the environmental movement is not warranted. The scenarios sketched out by climate models cover a broad gamut of possibilities. And the models themselves remain imperfect. For example, although current overall carbon levels and arctic ice melt are *higher* than most scientists predicted they would be today, actual temperature changes tend toward the lower end of most models.⁶

In any case, focusing on the science can be something of a dead end. The scientific consensus that exists about the causes and effects of climate change cannot point to an optimal policy solution any more than improvements in heart surgery techniques can provide guidance on health care reform.

Indeed, if free-market conservatives really want evidence of climate change, they ought to look toward the insurance markets that would bear much of the cost of catastrophic climate change. All three of the major insurance modeling firms and every global insurance company incorporate human-caused climate change into their projections of current and future weather patterns.⁷ The big business that has the most to lose from climate change, and that would reap the biggest rewards if it were somehow solved tomorrow, has *universally* decided that climate change is a real problem. An insurance company that ignored climate change predictions could, in the short term, make a lot of money by underpricing its competition on a wide range of products. Not a single firm has done this.

1. Barack Obama, *Climate Change and President Obama's Action Plan*, June 26, 2013, <http://www.whitehouse.gov/share/climate-action-plan> (last visited July 22, 2013).
2. See, e.g., Nicholas Loris, *11 Problems With President Obama's Climate Change Plan*, THE HERITAGE FOUNDATION BLOG, <http://blog.heritage.org/2013/06/26/11-problems-with-president-obamas-climate-change-plan/> (last visited July 22, 2013).
3. See, e.g., James Taylor, *A 98 Percent Consensus of Nothing*, FORBES, Sept. 8, 2011, <http://www.forbes.com/sites/jamestaylor/2011/09/08/global-warming-a-98-consensus-of-nothing/> (last visited July 22, 2013).
4. INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC), CLIMATE CHANGE 2013: THE PHYSICAL SCIENCE BASIS, <https://www.ipcc-wg1.unibe.ch/> (last visited July 22, 2013).

5. See, e.g., J. Scott Armstrong, *Taking a Stand on Climate Cost/Benefit Analysis*, WHARTON MAG., Jan. 7, 2013, <http://whartonmagazine.com/blogs/taking-a-stand-on-climate-change-cost-benefit-analysis/> (last visited July 22, 2013).
6. *A Sensitive Matter*, THE ECONOMIST, Mar. 30, 2013, <http://www.economist.com/news/science-and-technology/21574461-climate-may-be-heating-up-less-response-greenhouse-gas-emissions> (last visited July 22, 2013).
7. Eli Lehrer, *Insurance and Climate Change . . . It's Complicated*, THE HUFFINGTON POST, May 28, 2013, http://www.huffingtonpost.com/eli-lehrer/insurance-and-climate-cha_1_b_3333782.html (last visited July 22, 2013).

Acknowledging that something ought to be done does not have to mean supporting the climate-related policies that Democrats have offered in the past, much less President Obama's latest power grab. The most ambitious Democratic-led effort to date, the bloated Waxman-Markey bill that the U.S. House of Representatives passed in 2009, provides insight into how Democrats would deal with climate change if given a free hand.⁸ The Act would have raised taxes by nearly \$25 billion and created a framework to centrally plan much of the energy economy.

It was also a textbook exercise in crony capitalism. Virtually all of the money it hoped to raise—via a Rube Goldberg-like “cap-and-trade” mechanism—would have been redistributed to various politically connected industries around the country. It was that very patronage that proved successful in buying nine Republican votes for passage, more than for any other major proposal of the Obama Administration.⁹

The legislation itself, however, would have done almost nothing to combat climate change. Indeed, largely as a result of the natural gas boom that many environmentalists continue to try to stymie, the United States appears likely to meet Waxman-Markey's 2020 emissions targets even though the bill was never signed.¹⁰

While Democrats in Congress have floated other plans, they are mostly more of the same, relying on subsidies, handouts, punishments, and more government control over the economy. It is time for a conservative alternative that would remove burdensome regulation, cut taxes on productive economic activity, and encourage energy development (particularly of natural gas), all while also taking steps to reduce the chances that the worst climate scenarios will come to pass.

A market agenda for climate change should begin with a sober assessment of the energy regulations America already faces. Through existing statutory authority, the federal government *has* control over carbon emissions and imposes a “price” already, one that will rise as a result of President Obama's latest actions. Ever since the U.S. Supreme Court ruled in 2007 that the Clean Air Act (CAA)¹¹ essentially required the U.S. Environmental Protection Agency (EPA) to regulate GHGs, EPA has had *carte blanche* to impose new rules to deal with them.¹²

But even if the Supreme Court was right to grant the powers President Obama now seeks to use (and that point

is debatable), the mechanism in question is a terrible way to regulate GHGs. A creature of the 1970s regulatory state, the CAA provisions at the center of President Obama's proposal were written with pollutants like sulfur dioxide and nitrogen oxides in mind. Unlike carbon dioxide (CO₂)—which is not intrinsically harmful to humans at atmospheric concentrations, is absolutely necessary to plant life, and, in any case, is exhaled by every land-based animal with every breath it takes—these pollutants come from a small number of easy-to-identify sources and can harm human health. It was well worth trying to reduce them to very low levels—or even to zero.

Trying to regulate carbon emissions by the same means is almost certain to produce hugely expensive and burdensome regulations. No matter the pleasing-sounding noises emanating from Washington about “flexibility” and working with individual states, using the CAA to regulate CO₂ is akin to trying to repair a fine wristwatch with a jackhammer. Even the regulation-happy Waxman-Markey bill explicitly acknowledged this by ending EPA's authority to regulate CO₂ until 2025 and allowing it to resume then on only a limited basis. That was its one and only good provision. And removing this regulatory authority—almost sure to be used both arbitrarily and inefficiently—ought to rank near the top of any sensible, limited-government agenda. Republicans should also go up against President Obama's promise to delay the Keystone XL pipeline until it meets certain GHG targets.

Since carbon emissions do present a real problem, simply repealing the current regulations without replacing them would be both unwise and politically impossible. The least-intrusive and most economically beneficial way to deal with the problem appears to be a carbon tax, particularly a revenue-neutral carbon tax that could be used to offset and/or replace other taxes. As Florida State University economist Shi-Ling Hsu argues in his *The Case for a Carbon Tax*, such a tax would cause minimal dislocations, actually do quite a lot to reduce carbon emissions, and avoid the potentially destructive central planning implicit in almost every other solution, including the one President Obama has proffered.¹³

Even better, from a conservative perspective, such a tax could be used to offset taxes on productive activities. Replacing some or all taxes on capital gains, corporate income, or personal income with a carbon tax could simultaneously increase the efficiency of the country's tax system while cutting taxes on truly productive economic activity like jobs and investment. In fact, the carbon tax's most prominent proponents include conservative economic

8. H.R. 2454, American Clean Energy and Security Act of 2009.

9. Matthew Sheffield, *Republicans Who Voted for Waxman-Markey Climate Bill*, WASH. EXAMINER, Mar. 16, 2012, <http://washingtonexaminer.com/republicans-who-voted-for-waxman-markey-climate-bill/article/134203> (last visited July 22, 2013).

10. U.S. Environmental Protection Agency, National Greenhouse Gas Emissions Data (2013), <http://www.epa.gov/climatechange/ghgemissions/usinventoryreport.html> (last visited July 22, 2013).

11. 42 U.S.C. §§7401-7671q, ELR STAT. CAA §§101-618.

12. *Massachusetts v. Environmental Protection Agency*, 549 U.S. 497, 37 ELR 20075 (2007).

13. SHI-LING HSU, *THE CASE FOR A CARBON TAX: GETTING PAST OUR HANG-UPS TO EFFECTIVE CLIMATE POLICY* (Island Press 2011).

thinkers like Arthur Laffer and American Enterprise Institute scholar Kevin Hassett.¹⁴

A carbon tax should also be accompanied by removing the barriers to developing and exploiting new energy sources, particularly natural gas. While natural gas is not a long-term solution to every energy problem, unlocking more of it via hydraulic fracturing offers the simplest, cheapest, and most efficient way to reduce carbon emissions. Even the Keystone XL pipeline that President Obama's proposals could be seen as crafted to kill has the potential to reduce GHG emissions by reducing carbon-intensive international fuel shipment. (There is also an argument to be made that the Obama Administration actually seeks to approve the pipeline on just this basis.) Natural gas, the most promising replacement fuel, is already cheaper than much coal (the "dirtiest" widely used fuel), and encouraging its widespread use will result in continued GHG reductions.

Other efforts to encourage broader use of nuclear power, build transmission facilities that help unlock untapped hydroelectric potential in the Canadian north, and streamline regulations for all power projects deserve equally strong consideration. Even President Obama's recently announced plan has some worthy ideas to allow more alternative energy development on public land and squeeze more generation capacity out of existing U.S. dams.¹⁵ In the end, almost all new market-driven energy development will help to combat climate change: The most economically viable forms of power all emit less carbon than coal, and permitting their development will, on balance, result in fewer carbon emissions.

If the past is any indication, Republicans will be just as tempted as Democrats to endorse crony capitalist schemes to pick the energy technologies of the future, an area where all governments everywhere have a distinctly dismal record. The bipartisan disgrace of federal loan guarantees, clean energy generation tax credits, outright grants to private businesses, and "public-private" partnerships that created Solyndra and dozens of other spectacular "green" flameouts should be euthanized.

This does not exclude the government from any role in building the country's technological base. At least some of the resources saved by eliminating green energy production and consumer subsidies should be rededicated to basic research that helps to unlock the fundamental laws of the universe as well as commercial-scale pilot programs. Subsidies for science and research should, however, be limited to things that the private sector has no history or track record in doing: in general, they should be directed toward research universities and public labs rather than profit-making companies.

In the end, if both private insurance markets and overwhelming scientific majorities are proved wrong about global warming, a more lightly taxed, less regulated nation with more energy sources, more useful research, and less crony capitalism will still be better off by almost any measure.

President Obama's various proposals to deal with climate change have deep flaws. But that does not mean the problem they seek to address is not genuine. Conservatives should care about global warming. And, just as liberals have done for almost 20 years, they should use the issue as a way to promote policies they already favor.

14. Kevin Hassett et al., *Climate Change: Caps vs. Taxes*, The American Enterprise Institute, June 1, 2007, <http://www.aei.org/article/energy-and-the-environment/climate-change-caps-vs-taxes/> (last visited July 22, 2013); Bob Inglis & Arthur Laffer, *An Emissions Plan Conservatives Could Warm To*, N.Y. TIMES, Dec. 28, 2008, <http://www.nytimes.com/2008/12/28/opinion/28inglis.html> (last visited July 22, 2013).

15. Executive Office of the President, *The President's Climate Action Plan* (June 2013), available at <http://www.whitehouse.gov/sites/default/files/image/president27sclimateactionplan.pdf>.