

Mr. Sensenbrenner's Opening Statement for Select Committee on Energy Independence and Global Warming hearing: "Cap, Auction, and Trade: Auctions and Revenue Recycling Under Carbon Cap and Trade."

Jan. 23, 2008

Today's hearing will focus on the details of a cap-and-trade system. Specifically, the hearing will examine how carbon credits and allowances are to be distributed in a cap-and-trade system.

However, I will not be offering much input into this nuanced question, because I will oppose a cap-and-trade regulatory regime, no matter how credits are distributed within the system.

My reasons for opposing a cap-and-trade regime are simple. From the outset of this select committee, I said that I will oppose any legislative effort that would hurt jobs or the economy. I am convinced that a cap-and-trade system will do just that.

One needs look no further than Japan, Spain and Italy to see what quicksand awaits U.S. rate payers under a cap-and-trade system.

Together, these nations will have to fork over \$33 billion to buy carbon credits, according to a Nov. 30 Bloomberg News article.

This amounts to a tax on electricity in those countries, since the costs of these credits will probably be hidden in the overall electricity bill. Make no mistake, these costs are the price tag of the Kyoto treaty. President Bush has received much grief for failing to sign on to that bloated regulatory regime, but after seeing how it is raising electricity costs in Europe and Asia, I am pleased that the President has followed my advice and kept the U.S. out of this bad deal.

The question isn't "if" a cap-and-trade system will raise electricity costs, the question is how much they will raise costs. This is a question I will be asking over and over today, and throughout the year as we continue to examine

When this select committee conducted a field hearing in Seattle last November, I engaged with New York City Mayor Michael Bloomberg on the differences between a cap-and-trade system and a direct tax on carbon. While I disagree with Mayor Bloomberg on the need for a carbon tax, we both agreed that at least a carbon tax is an honest attempt to reduce carbon emissions, where a cap-and-trade system simply buries the costs deep within your electric bill.

If the politicians in Washington believe it's a good idea to use taxes in an effort to fight global warming, then they should show the rate payers exactly how much they are spending on these so-called global warming solutions. I think most people would find that to be the real inconvenient truth.

Since 2005, most of Europe has been under a cap-and-trade system. So far, the results don't look good. Open Europe, a group that has studied the system, found that it has acted like a wealth transfer mechanism; effectively subsidizing polluters in states

making little effort to control carbon emissions while punishing states that had tougher emission allocations.

Perhaps the costs of this system would be worth it if they were actually creating measurable improvements to the environment. But as Open Europe notes, so far, this regulatory system has actually led to an increase in emission from Europe.

The American people deserve a technological approach to global warming that improves the environment while protecting the economy. They don't deserve a tax hike that masquerades as a solution.