

# US House passes Obama administration's carbon trading legislation

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On Friday, the US House of Representatives narrowly approved Democratic-sponsored legislation for a national "cap and trade" carbon emissions trading scheme.

Hailed by President Barack Obama as an "extraordinary first step," the proposed measures will do little to address climate change. While the working class will be hit with higher energy and fuel costs, the major corporate polluters will potentially reap enormous profits through the various subsidies contained in the legislation.

The 1,200-page "American Clean Energy and Security Act," sponsored by Democrats Henry Waxman (California) and Ed Markey (Massachusetts), passed the House by 219 votes to 212. The vote was prepared by intensive lobbying of lawmakers by President Obama and other senior Democrats, including House Speaker Nancy Pelosi, Secretary of State Hillary Clinton and former vice president Al Gore. Those voting against nevertheless included 44 Democrats, while eight Republicans voted in favor of the bill. The legislation must be passed by the Senate, where its prospects are murky, before it can be signed into law by Obama.

The "cap and trade" scheme essentially involves making carbon dioxide pollution a tradable commodity. The cap refers to a goal of cutting total American emissions by 17 percent by 2020 and 83 percent by 2050 compared to their 2005 levels. The major corporate polluters are allocated a share of the total of carbon credits, or allowances. If they subsequently lower their emissions, they can sell their surplus carbon credits for a profit to those who need them.

Carbon trading represents an attempt to fashion a "free market" solution to the global warming crisis, despite the fact that the crisis is being driven by the anarchic operations of the capitalist market.

First promoted in the 1980s by the Reagan administration, pollution trading schemes have been seized upon as a means of evading regulatory or punitive measures against corporate polluters. Largely due to the insistence of the Clinton administration, carbon trading mechanisms were made a central part of the 1997 Kyoto Protocol. Several countries

that ratified the treaty have their own national cap and trade schemes, with the largest covering the major European economies. In every instance, carbon trading has failed to meet the levels of emission reduction that scientists say are necessary.

The emissions reduction targets in the American Clean Energy and Security Act are, from any objective standpoint, grossly inadequate.

The United Nation's Intergovernmental Panel on Climate Change (IPCC) concluded in 2007 that advanced economies' emissions must be 25-40 percent lower than their 1990 levels by 2020, and 80-95 percent by 2050. Additional scientific evidence gathered in the last two years indicates that climate change is developing more rapidly than previously believed, making even greater pollution cuts necessary.

The Democrats' carbon trading scheme calls for a reduction in emissions of a mere 4 percent below 1990 levels by 2020.

The Obama administration's overriding priority is to ensure that its climate change policies do not impinge on the interests of big business. Under the carbon trading legislation passed by the House of Representatives, corporations included in the scheme will receive 85 percent of their allocated carbon credits for free. They will potentially be able to sell these for a substantial profit.

In other countries, businesses claimed more credits than they actually required by ratcheting up reported emissions immediately before the cap and trade scheme commenced. Afterwards, they continued with business as usual while cashing in their excess credits. In Europe, major oil companies, including BP and Shell, made substantial profits through the pollution allowance giveaway.

To ensure the carbon trading bill's passage through the House, senior Democrats attached numerous concessions, incentives and special provisions to accommodate regional and sectional business interests. According to one report, 880 business and interest groups registered to lobby on the legislation.

The major coal companies—among the worst polluters—are to receive \$10 billion in public subsidies over the next decade to research and invest in carbon capture and storage technology. “Coal-state lawmakers wouldn’t be comfortable with a cap-and-trade bill that didn’t include a lot for coal,” the *Washington Post* noted in an editorial last Thursday.

Agribusinesses have been offered the opportunity of making money through so-called offsetting mechanisms. These allow agricultural operators to generate and sell carbon credits by reporting farming practices which supposedly reduce emissions.

This represents yet another public subsidy for American agribusiness. International “offsetting” schemes under the Kyoto Protocol have been riddled with fraud.

Many of the major coal, mining, oil and energy conglomerates remain opposed to carbon trading, as do less competitive sections of American manufacturing, largely over concerns that they may not be fully compensated for the scheme’s compliance costs.

Other sections of business, however, have enthusiastically backed the Obama administration’s plans. The Climate Action Partnership—comprised of major corporations including Alcoa, Dow Chemical, General Electric and Rio Tinto—has been demanding that Congress enact a national carbon trading market since 2007. Among the potential big winners from Obama’s scheme are the renewable energy operators. The American Clean Energy and Security Act includes a provision that 20 percent of total energy must come from solar, wind and geothermal sources by 2020.

Wall Street is also looking forward to cap and trade. In Europe, carbon has developed into a multi-billion-dollar commodity, with entire divisions of major banks and hedge funds in London, Paris and Frankfurt devoted to investment and speculation in pollution credits.

According to Congressional Budget Office research, the average US household will pay an additional \$175 a year in energy costs by 2020 under the proposed legislation, but the real impact will likely be far worse. Under cap and trade, the price of carbon is uncapped and dictated by the market. Ordinary people’s ability to afford to fuel their car and heat their homes is therefore at the mercy of the activities of the carbon market speculators.

Buried within the American Clean Energy and Security Act is a provision—reportedly inserted in the middle of the night before Friday’s House vote—which, from 2020, mandates the president to impose tariffs on imports coming from countries which have not limited their greenhouse gas pollution.

The clause, apparently directed against countries such as India and China which are exempt from emissions targets under the Kyoto Protocol, has the potential to drastically

escalate international trade tensions amid intensifying rivalries between the major powers.

Cap and trade schemes internationally have generated economic nationalist demands. In Europe in recent years, several high profile politicians, including French President Nicolas Sarkozy and European Commission President José Manuel Barroso, have called for trade barriers to be erected against the US and other countries without carbon emissions standards equivalent to those of the European Union.

Obama yesterday attempted to play down international concerns by distancing himself from the bill’s tariff provision. “At a time when the economy worldwide is still deep in recession and we’ve seen a significant drop in global trade, I think we have to be very careful about sending any protectionist signals out there,” he told reporters.

The threat of a retaliatory trade war sparked by the national carbon trading scheme underscores the absence of any effective solution to global warming within the framework of the capitalist system.

Climate change can be addressed only on a global basis. But the division of the world into rival nation states, a basic characteristic of capitalism, stymies any rational and systematic international cooperation. Each national government seeks to gain advantage over others for the business interests it represents.

At the same time, the private ownership of the means of production stands as an insurmountable obstacle to the rational utilization of available technologies to address global warming. Powerful vested interests sabotage measures that impinge on their wealth and profits.

What is required is a socialist program, which has as its aim the establishment of an internationally planned economy oriented towards satisfying social need rather than maximizing profit and private wealth.

The lowering of carbon emissions to their required levels—while at the same time increasing people’s living standards internationally—requires the rational reorganization of the world economy, including the restructuring of energy, industrial and agricultural production, along with urban and international transport. This in turn depends upon the development of an independent movement of the American and international working class.



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