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Cap-And-Trade To Hurt Industry: Study

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American Metal Market

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Enacting the American Clean Energy and Security Act, the so-called cap-and-trade emissions legislation, would lead to a decline in industrial manufacturing, permanent job losses, higher energy costs and lower average household incomes, according to a recent study.

The Waxman-Markey bill (H.R.2454), which aims to reduce greenhouse gas emissions by 83 percent by 2050 compared with 2005, has been approved by the House of Representatives, and the Senate is expected to unveil its version of tile legislation next month. The domestic steel industry is opposed to the proposed legislation.

"This study confirms that the Waxman-Markey bill is an 'anti-jobs, anti-growth' piece of legislation. Further, leaders of COWI tries such as China and India have made it clear they have no intention of reducing their own emissions," said Jay Timmons, executive vice president of the National Association of Manufacturers (NAM). "Waxman-Markey would give an edge to overseas competitors, discouraging domestic investment and tile creation of American jobs."

The NAM, the nation's largest industrial trade association, and the American Council for Capital Formation, a nonproflt, nonpartisan organization advocating tax and environmental policies that promote economic growth, retained Science Applications International Corp. to analyze the potential costs related to the proposed legislation.

The study found that, if enacted, it would lead to a cumulative loss in gross domestic product (GDP) ranging between S2.2 trillion and 53, I trillion by 2030. It also would lead to a further slowdown of the U.S. economy after 2020, when the free emission allowances are phased out. By 2030, the annual GDP would be reduced by 1.8 percent, making it increasingly harder to meet government budgets.

Manufacturing would show an immediate decline in 2012, and by 2030 industrial output would shrink by at least 5.3 percent, making the U.S. economy prone to recessions and unable to promote job growth. The analysis also warns policy makers to cautiously develop climate-change policies, acknowledging that if the problem is not addressed on a global scale the results will be negligible.

The study, which took into account that nuclear energy may be available, suggests that energy prices will rise due to carbon permit fees and new energy-efflcient standards. By 2030, residential electricity prices are forecast to be as much as 50 percent higher and gasoline prices are predicted to be as much as 26 percent higher.

As for employment, the study said that between 2012 and 2030 U.S. employment levels will be reduced by between 20,000 and 610,000 jobs each year by the restrictions in the legislation. By 2030, as many as 2.4 million jobs could be permanently lost. It noted that as many of 66 percent of these jobs will specifically come from tile manufacturing sector.

"At a time when our country is struggling to come out of our longest and deepest economic downturn since the Great Depression, lawmakers should be focused on policies that provide incentives for businesses so they can create jobs and grow," Timmons said.

In addition to a national survey, the potential law's impact all several key steelmaking states, including Illinois, Indiana, Michigan, North Carolina, Ohio and Pennsylvania, are addressed in the report. These states would be disproportionately harmed due to an extreme erosion of their economic base, tile study concluded.