



Carbon Tax Would Be a Blow to West Virginia

August 20, 2009

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***As seen in the August 21st issue of [The State Journal](#).**

While much of the nation's attention is now focused on the healthcare debate, also pending before the U.S. Senate is legislation that will have at least as great an impact on the day-to-day lives of Americans in general and West Virginians in particular. On June 26, the House approved the "American Clean Energy and Security Act," also known as the "Waxman-Markey bill." That bill has as its goal the "capping" and reduction of the nation's "carbon footprint" from the emission of so-called greenhouse gases and, with that, a reduction in its supposed impact on the climate.

These reductions are to be achieved through government issued permits that authorize the holder to discharge specified amounts of carbon dioxide and other greenhouse gases. As permit holders reduce their emissions, they can sell or trade those permits to others who have not yet achieved required reduction levels. As permits expire and more stringent mandates come into play, the ultimate goal is a reduction of 17% in emissions from 2005 levels by 2050. While this level of reduction seems modest, the cost of achieving it will be significant.

While proponents of the bill claim that these costs will be "as reasonable as possible," no one denies that they will result in higher prices for electricity, food, steel products, gasoline, and virtually every manufactured good. The Environmental Protection Agency estimated in April that the cost increases caused by "cap and trade" would run between \$13 and \$17 per ton of carbon dioxide emitted. Given that the United States emits approximately 9 billion tons of CO₂ per year, that would impose an additional tax of \$135 billion on the nation in 2020 alone. Others, such as the Heritage Foundation, estimate that the actual cost will exceed \$161 billion, or \$1,870 for a family of four per year.

As Senator McConnell of Kentucky recently noted, this tax will be paid whenever anyone turns on a light. While such tax may be more easily absorbed by families residing in Congressman Waxman and Markey's district where average incomes are roughly twice their counterparts in West Virginia, that cost will nevertheless impact everyone, particularly the poor and middle-class, who spend a greater percentage of their income on things like home heating. And, it will fall more heavily on states that rely on coal to power their homes and businesses. Today, coal provides approximately 50% of the nation's electricity. West Virginia leads the nation with 98% of its energy being supplied by coal. Not coincidentally, West Virginia has the nation's lowest residential electricity rates.

The increasing cost of power imposed by Waxman-Markey will impact West Virginia in three equally negative ways.

First, residential electric prices will necessarily increase, and increase markedly. Second, the coal industry in West Virginia will almost certainly contract. According to the Brookings Institute, costs for coal will increase, and demand, along with coal-related employment, will decline. That, in turn, will reduce tax revenues while increasing unemployment costs. The coal industry, to survive Waxman-Markey, will be forced to wager its

future on the development of technology to capture and store carbon dioxide emissions. Yet, as the *Washington Post* pointed out earlier this month, that technology remains "elusive."

Third, Waxman-Markey will likely be the final blow to West Virginia's struggling steel industry. Steel mills utilize large quantities of coal in the steelmaking process. They also use large amounts of electricity. Rather than absorb the costs imposed by Waxman-Markey, it is probable that those operations will close or relocate to China and India, neither of which plans to follow the United States' "lead" on "cap and trade." Indeed, the fear that Waxman-Markey will force manufacturers overseas led ten Senate Democrats, including Senator Byrd, to recently demand that the bill be amended to impose a "carbon tariff" on imports from countries without similar carbon emission legislation. While such a tariff would make U.S. markets less attractive to imports, that protection may not be sufficient to persuade companies that market their goods globally to maintain operations here. Such a tariff would also likely result in tariffs being imposed on American exports. Those tariffs would damage U.S. businesses that market their goods overseas and result in losses of American jobs.

While a "cleaner environment" is a laudable goal, we, as a nation, need to be sure that any legislation we adopt (a) achieves that goal, and (b) avoids inflicting serious and permanent damage to our economy. Waxman-Markey appears to do neither. It would have, at best, a negligible impact on world temperatures while causing serious economic damage, particularly to West Virginia and its residents.