

## Cap & Trade Taxes Created

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By Richard G. Lubinski

Contrary to the often repeated 2008 campaign pledge not to raise taxes on the working people, the Obama Administration (and Congress) has provided for one of the largest and most damaging tax increases in U.S. history. Under the guise of CO<sub>2</sub> reduction, the planned 2012 cap-and-trade taxes will increase all energy costs for 100 percent of Americans and, therefore, on all products and services. The cap and trade will add new taxes on electricity, natural gas, heating oil, district steam, district chilled water, propane plus gasoline, diesel, aviation fuel, etc. While the proposed additional \$80 billion per year (or more) in new taxes may not seem like much to the guys “inside the beltway,” they’re spending trillions of dollars in (future) taxpayers’ money, and it’s still a huge tax increase. The cost per family has been estimated at an extra \$1,800 to \$3,000 per year. This is opposite the promised \$800-a-year tax cut promised for 95 percent of Americans during the campaign. The idea to tax carbon or CO<sub>2</sub> is not new – it’s been tried *unsuccessfully* in Europe. The failed European experiment should be plenty of guidance for our elected officials. “*Those who cannot remember the past are condemned to repeat it.*” This saying comes from the writings of George Santayana, a Spanish-born American author.

According to Tom Pyle in *EnergyBiz* magazine (January/February 2009), “Cap and trade sounds pleasant in theory, but, in practice, it has been a failure. Europe has the largest cap-and-trade system in the world, and instead of leading to a decrease in emissions, Phase 1 between 2005 and 2007 led to a 1.9-percent increase in greenhouse-gas emissions. What’s worse, electricity bills in much of Europe have substantially increased because of cap-and-trade policies.”

According to the *Washington Times*: “President Obama’s climate-change initiatives could cost industry up to \$2 trillion per year, nearly three times the White House initial estimate of the so-called cap-and-trade legislation, according to the Senate staffer who briefed by the White House. At the meeting, Jason Furman, a top Obama staffer, estimated the president’s cap-and-trade program could cost up to three times as much as the administration’s early estimate of \$646 billion over 8



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years. Put another way, Furman estimates the cap-and-trade scheme will cost, on average, \$250 billion annually. That estimate must be taken seriously because Furman is the deputy director of Obama's National Economic Council. According to the Heritage Foundation, the cap-and-trade scheme could cost 500,000 to 1 million job losses.

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Now, do I have your attention?

They key to this discussion is the media hype and the *theory* of global warming. This was made popular by politician and self-taught scientist Al Gore. There are more than 30,000 real scientists that formally dispute the conclusion of Al Gore and others; they say that the data doesn't support global warming, and, therefore, there's no justification for a cap-and-trade scheme. There are a number of websites and television documentaries on "[Global Warming: A Convenient Lie](#)" and "[The Great Global Warming Swindle](#)".

Remember the childhood story about the Emperor with no clothes? Everyone was afraid to tell the obvious truth until the end of the story.

What would our federal government do if it got an additional \$80 billion in taxes? Would it invest in federal giveaway programs to support real energy conservation and drilling for additional energy to support the goal of energy independence? No. The plan is to spend \$15 billion per year in renewable energy and then redistribute the balance of the funds. Redistributing an estimated \$45 billion to \$65 billion annually sounds like Washington talk for new funding for other government entitlement programs, and maybe another Administration target – nationalized healthcare. The results of our national experiment with nationalizing insurance giant AIG (80-percent U.S. taxpayer ownership so far), and investing borrowed (future) tax income in failing banks and Wall Street investment firms apparently hasn't taught our elected officials anything. A trillion here, a trillion there ... before you know it, you're talking real money.

So, what does this mean to you and me? Duke Energy CEO Jim Rogers fears that the renewable energy credits (RECs) will not be given away, but sold in an increasingly competitive market. He predicted that electricity prices might increase by 40 percent due to cap and trade. The research firm Point Carbon thinks electricity rates would only increase by 7 percent.

#### Estimated CO<sub>2</sub> Cost Per Metric Ton

If cap and trade was \$30 per metric ton , then ...

<i>Energy Sector</i>	<i>Units</i>	<i>CO<sub>2</sub> lbs. per Unit</i>	<i>Units Per Tonne</i>	<i>Cap &amp; Trade Cost per Unit</i>
Natural Gas	MCF	117.1	18.8	\$1.593
Oil	Gallon	22.4	98.5	\$0.305
Jet Fuel	Gallon	21.1	104.5	\$0.287
Gasoline	Gallon	19.6	112.7	\$0.266
Propane	Gallon	12.7	174.0	\$0.172
Electricity	KWH	1.82	1,211	\$0.025

What is the annual impact on your organization if electricity costs increase by \$0.025/KWH and natural gas costs increase by \$1.593/MCF?

California, with more than \$40 billion in debt, likes to lead the country with environmental regulations. California landmark legislation *Assembly Bill 32 (AB 32)* imposes the nation's highest restrictions on greenhouse-gas emissions. *AB 32*, also known as the California Global Warming Solutions Act of 2006, creates an emissions cap for 2020 based on 1990 emissions levels. The goal is a 25-percent reduction in greenhouse gas by 2020. This legislation was highlighted in *Pollution Engineering* magazine's March 2009 issue. It talks about the current voluntary reporting of Kyoto gases: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>, HFCs, PFCs and SF<sub>6</sub>. The key element of carbon reporting is CO<sub>2</sub>. President Obama has nominated Nobel Prize-winning nuclear physicist Steven Chu to head the U.S. Department of Energy (DOE). Chu was the head of the DOE's Lawrence Berkley National Laboratory. He supports carbon-free nuclear power and is a champion of global warming. Chu also supports the development of renewable energy. If you can't drastically reduce your energy consumption and carbon footprint, your alternative to is purchase renewable energy credits (RECs) from a certified renewable energy producer. The supply/demand challenge comes when 93 percent of the United States starts to compete to purchase RECs from the 7 percent of U.S. energy market considered to be green/renewable. While wind energy has grown dramatically in recent years, solar PV has been slow to be adopted.

**Solution 1:** Write your U.S. Congressman and Senators about the negative impact on an \$80 billion tax increase, and question the scientific dispute about global warming and the documented failures of prior government experiments with cap-and-trade programs.

**Solution 2:** Reduce consumption now to make your buildings more efficient while enjoying attractive ROI on the projects. As a byproduct, you will also be green, more sustainable, and environmentally conscientious. Your building will be in a better position when Big Brother decides at what level your energy consumption will be capped. Energy conservation is the cheapest and fastest means of creating more energy supply (sometimes called "nega-watt" [energy reduction] vs. "mega-watt" [energy production]).

The clock is ticking toward 1/1/2012.