

Dirty carbon could stoke clean growth

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SAN FRANCISCO - What's the price of pollution?

Soon, the greenhouse gases that big companies produce may be priced, sold and traded just like shares of stock, creating a whole new industry in the United States that could dramatically affect the national economy.

Building on current laws addressing acid rain and smog, Congress as early as this summer could vote on a national cap-and-trade system that would limit carbon emissions by big companies. Under such systems, the amount of allowable gases from each producer is capped, and those who produce more or less can buy or sell each other carbon credits.

The next U.S. president will likely support such a plan: All of the major candidates say they back a carbon cap-and-trade system.

Some parts of the country aren't waiting on Washington.

In the Northeast, power plants in 10 states will face regional carbon cap-and-trade rules beginning next year. In California, a more extensive system could affect virtually all businesses starting in 2012. Other states are watching California closely.

Europe already has an extensive carbon cap-and-trade market that's now being expanded.

"You don't even have to believe all this climate change stuff, you just have to believe that all the politicians believe it," said Henry Derwent, CEO of the International Emissions Trading Association. "And if that's right, the carbon restraints are just going to keep on coming."

Already, many companies - Dell Inc., Nike Inc. and Atlanta-based flooring maker Interface Inc., to name a few - have voluntarily agreed to go carbon neutral, in part because it's the right thing to do, but also for public relations purposes and to get ahead of any forthcoming regulations.

Cities such as Austin, Texas, also have pledged to make their municipal operations carbon neutral in coming years. Atlanta and other cities have promised to build only carbon-neutral buildings in the future.

Generally, those who voluntarily reduce their carbon footprints both cut their own emissions and buy carbon offsets, such as helping fund programs like tree planting or building renewable-energy plants in developing countries.

Five years ago, a former Chicago Board of Trade economist set up North America's first trading system for companies that want to buy, sell or trade contracts for voluntary carbon emissions reduction. The Chicago Climate Exchange now works with more than 300 companies.

But despite the growth of the voluntary market, mandatory carbon regulations would dramatically change the business of pollution.

"I don't think it's going to be a ripple, it's going to be a tidal wave" if the United States starts a cap-and-trade system, said Dirk Forrister, managing director of carbon consulting firm NatSource.

If Europe is any indication, such a system in the U.S. would create a huge new industry for carbon monitoring, trading and consulting. It could help spur more energy innovation and boost the potential of the growing number of clean-tech companies.

In an indication of just how big the pollution business could become, more than 1,400 attendees converged in San Francisco last week for the first-of-its-kind Carbon Forum America, sponsored by Derwent's organization. A separate event drew venture capitalists and clean-tech companies.

"A cap-and-trade system will not only significantly reduce our nation's carbon footprint, it also will generate tremendous economic activity (and create) a whole new green economy," Sen. Dianne Feinstein, D-Calif., said in a videotaped statement opening the forum.

Or, according to opponents, it could devastate the U.S. economy.

The U.S. Chamber of Commerce claims that if the America's Climate Security Act offered by Sens. Joseph Lieberman, I-Conn., and John Warner, R-Va., becomes law, 3.4 million Americans could lose their jobs and the gross domestic product will decline by \$1 trillion.

Video ads running on the business advocacy group's Web site portray American families sleeping in sweaters, cooking with candles and jogging to work in the future because of high electricity costs.

Some congressional allies of business are also opposed. House Republican leader John Boehner of Ohio last month ridiculed as a "waste of money" Speaker Nancy Pelosi's "Green the Capitol" program of purchasing carbon offsets.

Even environmental groups have doubts about cap and trade. Some worry that letting companies buy carbon credits will let them delay reducing their own emissions.

Utilities would be most affected by carbon cap-and-trade rules because they're the biggest emitters of greenhouse gases. Some utilities support the idea of a national program instead of state-by-state regulations, but others say the Lieberman-Warner proposal would drive up power prices dramatically, especially in the Southeast and Midwest, which are most dependent on coal-fired power plants.

"Obviously we are opposed to the Lieberman-Warner bill," said Valerie Holpp, spokeswoman for Atlanta-based energy company Southern Co. More than 70 percent of the company's power plants throughout the Southeast are coal-fired.

Holpp said the bill's proposal to cut the nation's greenhouse-gas emissions by 19 percent from 2005 levels by 2020 and 63 percent by 2050 are unachievable with present technology.

Charlotte, N.C.-based Duke Energy says it supports carbon-reduction plans, but not the Lieberman-Warner proposal, specifically because it would require power companies to buy carbon credits through an auction system.

"Having to obtain allowances for existing coal plants through an auction is nothing more than a carbon tax," Duke Energy Chairman Jim Rogers said in a statement. "It should be called what it is - a disproportionate tax on consumers in the 25 states that depend on coal."

Even so, many businesses support new regulations on greenhouse-gas emissions. Last year, some of the nation's biggest companies - including Juno Beach-based FPL Group Inc., Alcoa, BP America, Duke Energy, Dow Chemical and carmakers Ford, GM and Chrysler - created a business group to support a carbon cap-and-trade system.

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