



UJAE Unions for Jobs And the Environment

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Newsletter

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Member Unions

- Brotherhood of Locomotive Engineers
- International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
- International Brotherhood of Electrical Workers
- International Brotherhood of Teamsters
- Marine Engineers Beneficial Association
- Sheet Metal Workers International Association
- Transportation • Communications International Union
- United Association of Journeymen and Apprentices In the Plumbing and Pipefitting Industry
- United Food and Commercial Workers International Union
- United Mine Workers of America
- United Transportation Union
- Utility Workers Union of America

President

Bill Cunningham

Addressing the Climate Change Problem

On July 11, the presidents of three UJAE member unions (Boilermakers, IBEW and Mine Workers) joined AFL-CIO Secretary-Treasurer Richard Trumka and U.S. Senators Jeff Bingaman (D-AZ) and Arlen Specter (R-PA) to unveil the bipartisan Bingaman-Specter “Low Carbon Economy Act” of 2007 (S. 1766). This bill requires deep cuts in greenhouse gas emissions while building in vital protections against possible adverse consequences to the U.S. economy and workers.

The bill would require a reduction of U.S. greenhouse gas emissions to 2006 levels by 2020 and to 1990 levels by 2030. Certain firms are required to purchase a permit (allowance) for each ton of emitted greenhouse gases. Entities that must purchase allowances include: petroleum refineries, natural gas processing facilities, large coal-consuming facilities, fossil fuel importers, and producers and importers of greenhouse gases other than carbon dioxide (CO₂).

Because carbon permit prices could rise to levels threatening the U.S. economy and jobs, *the bill reduces uncertainty by a “safety valve” provision allowing firms to purchase allowances from the government at a fixed price.* This fixed price starts at \$12 per metric ton of CO₂-equivalent in the first year of the program and rises steadily each year thereafter at 5% above the rate of inflation.

In addition to its safety valve provision, the Bingaman-Specter bill is the only climate bill that includes effective measures to engage developing countries in the process of limiting greenhouse gas emissions. First, the bill would fund joint research and development partnerships to aid in the introduction of emission reduction technologies in developing countries.

Second, and of critical importance to the U.S. economy, *the President could require importers to purchase special emission allowances to cover the carbon content of imported goods,* if the exporting country is not making sufficient efforts to reduce its greenhouse gas emissions. This measure is vital to help ensure that emission reduction requirements in the U.S. do not shift production and jobs to China and other developing countries.

The bill also allows the President to recommend changes in the U.S. program to achieve additional reductions at least 60% below current levels by 2050 if there is sufficient international progress in reducing global greenhouse gas emissions.

Bingaman-Specter sets out a detailed plan for distributing tradable emission allowances. At the beginning of the program, a majority of allowances are given out at no cost to the private sector. This amount is gradually reduced each year after the first five years of the program.

The cost of energy to consumers depends in part on the success and speed in introducing new technologies for reducing or capturing emissions and using energy more efficiently. To aid new technology, 24% of total allowances will be auctioned by the government with the revenue used for research, development, and deployment of low- and no-carbon technologies, to provide for climate change adaptation measures, and to provide assistance to low-income households.

Revenue from the sale of 8 percent of allowances will be set aside annually to create incentives for carbon capture and storage. For each ton of CO₂ sequestered, three and a half bonus allowances will be rewarded. These incentives will provide a major stimulus for investments in job-intensive advanced clean coal technologies. Another five percent of allowances are reserved to promote agricultural sequestration; and 1% of the allowances will reward companies that have undertaken “early actions” to reduce emissions before the program begins.

In addition, 9 percent of the allowances will be distributed directly to States, which can use the generated revenues to address regional impacts, promote technology or energy efficiency, and enhance energy security.

Outsourcing U.S. greenhouse-gas emissions

A major issue for countries that reduce greenhouse gas emissions with carbon taxes or cap-and-trade programs is that such programs cause a substantial rise in energy costs. Higher energy costs reduce competitiveness and drive production, jobs and emissions to developing countries, with goods then imported back to the U.S. *The greenhouse gas emissions associated with production are thus “outsourced” to other developing countries.* This is a major criticism of the Kyoto Protocol, which calls for industrial countries to reduce emissions but allows developing countries to escape any real control requirements. The Bingaman-Specter bill is the first serious effort to address “outsourced” U.S. emissions in a comprehensive manner.

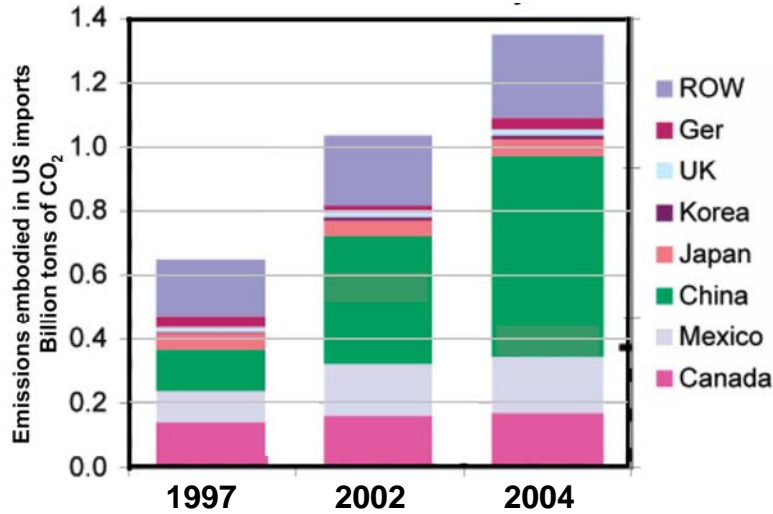
This issue received attention from two Carnegie Mellon University researchers, Chris Weber and Scott Matthews, in their recent study of “Embodied Environmental Emissions in U.S. International Trade 1997-2004.”¹ “Embodied” emissions are those emitted during the production of a particular good or service.

Weber and Matthews find that goods imported by the U.S. are more emission intensive than U.S. exports. That fact and the rapidly growing imports of electronic goods, machinery and equipment, miscellaneous manufacturing and textiles and other goods have resulted in outsourced emissions. For example, *a computer made in China generates about three times more emissions than manufacturing the same computer in the U.S.*

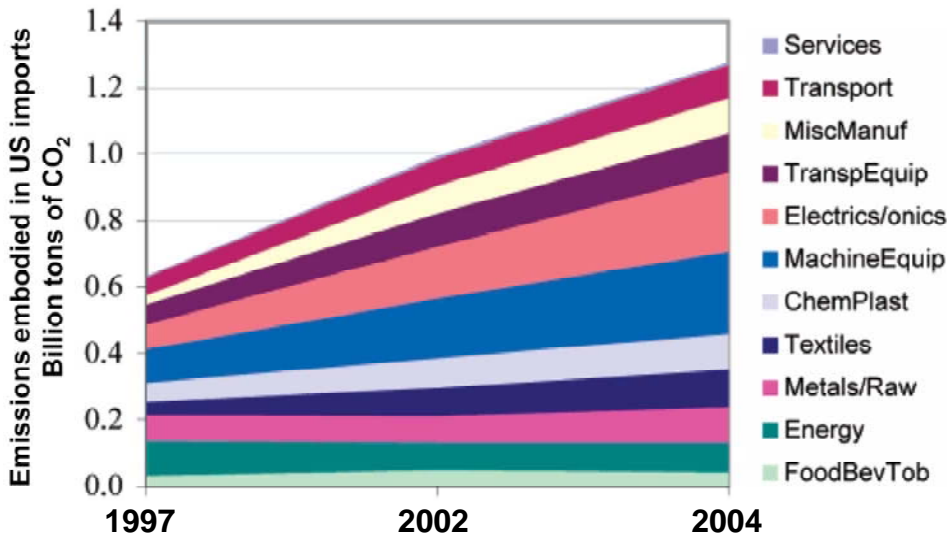
The U.S. already has outsourced a large volume of emissions to other countries. Carbon emissions embodied in U.S. imports grew rapidly from 1997 to 2004 and amounted to about 1.3 gigatons in 2004 or about 22% of overall U.S. CO₂ emissions according to Weber and Matthews.

Because regulation of greenhouse gases will result in greater outsourcing of production and emissions, Weber believes that government policy should consider the environmental impact of imports. He points out that policy makers in Europe are advocating that CO2 embodied in imported goods be calculated and a “carbon tariff” applied to imports from countries that are not regulating greenhouse gases. Weber believes that carbon tariffs could be a policy for the U.S. to enable it to pursue greenhouse gas regulation without outsourcing emissions and losing production and jobs to developing countries.

U.S. Outsources Emissions Primarily to China



U.S. Outsourcing of Emissions by Industry



^{1/} Christopher L. Weber and H. Scott Matthews, Embodied Environmental Emissions in U.S. International Trade, 1997-2004. *Environmental Science and Technology*, 2007, 41, 4875-4881.