Myths and Facts about Capping Climate Change Pollution

You've heard some unsubstantiated rumors. Here are the facts.

By Kristin Eberhard

Author's note: Some folks in the Oregon legislature have been fretting about falsehoods lately. I wrote this up to help inform a hearing on climate bills in Salem on April 14th.

Oregonians are already paying for climate change, through damaged shellfish, lost snowpack, and increased wildfires. Climate models predict that, without urgent action, the Oregon drought could morph into something like the California mega-drought. It's time to act. Don't let false rumors---often circulated by entrenched fossil fuel interests trying to protect their profits---trip Oregon up on the path to clean energy. Get the facts.

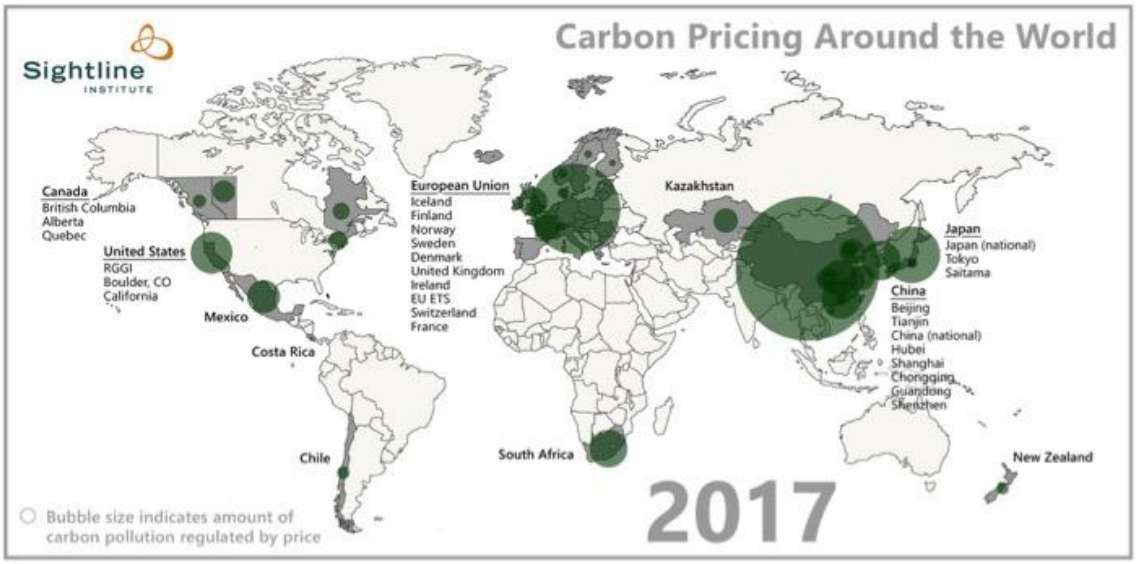
Myth: "Making polluters pay will wreck the economy."

Fact: Portland State University's modeling shows that holding polluters accountable and reinvesting the money in schools and roads will grow jobs and wages, particularly in rural Oregon.

It isn't just economic modeling; years of real real-world experience show that economies survive and thrive when polluters pay. Nine northeast states, British Columbia, California, and Quebec have all been making polluters pay for years, and their economies have kept pace with other parts of the United States and Canada where polluters still spew for free. California has been growing jobs faster than other states. Europe has cut pollution for ten years while growing GDP. Here's the evidence:

Myth: "The European Union (EU) and other places are pulling back on cap-and-trade."

Fact: Quite the contrary. Cap-and-trade and carbon taxes are gaining momentum around the world: by 2016, nearly one-quarter of all greenhouse gas pollution in the world will have a price tag attached.



The EU is doubling down on cap-and-trade. The EU cap started in 2005 with a goal of cutting pollution 21 percent below 2005 levels by 2020, but is now extending its program by a decade, with a goal of cutting pollution 40 percent below 1990 levels by 2030. The EU program had a rough start, but North American programs learned from the EU's mistakes and designed better programs.

The North American cap-and-trade program is expanding: in 2014, Quebec joined California and now Ontario, Canada, is planning to join.

Myth: "Cap-and-trade is *so complicated*, only the experts can understand it."

Fact: We stand atop a hazardous pollution staircase. Cap-and-trade steps our economy down to stability, stair by stair, at a manageable pace. It would be dangerous and risky to jump to the bottom or run down too fast. Cap-and-trade offers us a path to success in the new energy economy: maximum flexibility, clear and feasible goals, and a predictable timeline.

It works like this: Oregon sets a path for reducing pollution. The largest polluters---about 70 coal plants, oil refiners, and large manufacturers---will have to buy one pollution permit (sometimes called an "allowance") for each ton of greenhouse gas pollution they are responsible for. Oregon slowly and steadily decreases the number of permits available. Pollution levels reduce gradually and predictably. Businesses invest in efficiency and clean energy so they can keep delivering the same services, but with less pollution attached. Oregonians stop sending millions of dollars to out-of-state fossil fuel companies, and instead put their money to work on clean solutions and jobs right here.

Myth: "Cap-and-trade systems can be gamed."

Fact: Two problems with the EU's cap-and-trade program got a lot of press: the EU's offset program (an unnecessary add-on to cap-and-trade, not part of the

program itself) was flawed, and thieves hacked into on-line carbon accounts and stole allowances. Good program design can shield against the risk of gaming or market manipulation. Indeed, there is an example of a cap-and-trade program just south of Oregon that has learned from past fraud and protected against it. California even asked several well-known economists to "stress-test" the program, looking for potential vulnerabilities, and the experts concluded it would be very difficult to for a firm to manipulate the market. California, Quebec, and nine northeast states have been operating cap-and-trade programs for years with stable prices and no hint of gaming.

Myth: "Taking action on climate change is just an excuse to grow government and raise taxes."

Fact: Government is our best tool for working together to provide protections and solve community problems that individuals can't take on alone. When a house is on fire, we count on civic firefighters to help put it out. When a company is dumping toxic waste into the water supply, we want a public resource manager to stop it. When a company becomes an exploitive monopoly, we depend on public agencies to break the monopoly up so that competitive markets can work again. Right now, fossil fuel companies are dumping harmful pollution into our atmosphere unchecked, and it's costing our communities. We have laws on the books to limit this harmful pollution. Holding these polluters accountable for complying with Oregon law is in keeping with our civic values and our expectations for a responsive and effective government.

Myth: "Rural Oregonians will have to pay more for a price on pollution."

Fact: Rural Oregonians, like all our families and communities, get whiplashed by volatile fuel prices. Transitioning to clean energy will finally free Oregonians from the fossil fuel rollercoaster. Ending our dependence on oil and other dirty fossil fuels will let us break through to a more prosperous and stable clean energy economy.

And, by the way, rural Oregonians will actually pay less than urbanites. The Portland State University (PSU) Carbon Tax Study found that, if Oregon makes greenhouse gas polluters pay for each ton of pollution, ***rural Oregonians will pay less*** than Metro dwellers, and if Oregon spends the revenue on general fund purposes like schools and roads, ***rural areas will benefit the most*** in terms of job creation and wage increases. Portland Metro dwellers (defined by PSU as people living in Clackamas, Multnomah, and Washington counties) emit almost twice as much pollution per person as people living in more rural areas of the state (outside the Metro and Valley regions). Metro has 43 percent of the population but emits 60 percent of the greenhouse gas emissions. More rural counties have 30 percent of the population but emit only 20 percent of the pollution.

Rural Oregonians live ***less*** polluting lifestyles than urban Oregonians.

You heard right. Here are some of the reasons rural Oregonians pollute less and so would pay less under a polluters-pay program:

- Rural Oregonians, on average, have cleaner electricity than urbanites. Most of rural Oregon—about 30 percent of the state overall—gets electricity from consumer-owned utilities (COUs: public utilities, cooperatives, and municipal utilities). COUs get 85 percent of their power from carbon-free hydro. COU customers pollute less, and therefore would pay less, than Pacific Power customers who get 67 percent of their power from coal, or Portland General Electric customers with 30 percent coal. While Pacific Power serves some rural areas, a polluters-pay program could easily be designed to assist those customers, for example by giving them a Climate Credit on their electricity bill like California's program does.
- Contrary to popular myth, rural Oregonians do not all drive more than urban residents. According to a 2012 survey, people in rural counties (Cook, Douglas, Grant, Lincoln, Malheur, and Union) averaged 22,599 miles per year, only slightly more than the 21,339 driven by people in urban counties (Multnomah and Marion). Mixed counties (Deschutes and Umatilla) actually drove the most: 24,183 per year. Rural Oregonians drive only a few percentage points more than urbanites, and less than drivers in mixed counties.
- Under a polluters-pay program, the people with the bigger greenhouse gas footprints would pay more, and people with smaller footprints would pay less. Rural Oregonians, on average, have lower incomes and smaller footprints than people in the Metro and Valley areas. Higher-income people tend to have more luxurious houses, more energy-sucking gadgets, and travel more. They would pay more for their more affluent lifestyles, while rural Oregonians with modest lifestyles would pay less.
- The program can easily be designed to ensure that rural households and communities thrive. As the PSU study found, investing carbon revenue in schools and roads will create jobs and grow wages in rural communities. Giving even a small fraction of the money back to people---as electricity bill credits, working family tax credits, household dividend checks, or some other form---will put more money in the pockets of less-well-off Oregonians.

Myth: "Yeah, well…it's still not time to act yet."

Fact: Oregonians are demanding action on climate change, and in particular demanding that large polluters be held accountable. We have evidence from around the world and right here in North America that phasing out the free lunch for polluters can spur the transition to clean energy without harming the economy. Don't let untrue or misleading rumors block the will of the people.