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News Release

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Cap-and-trade scheme will cost California jobs

Backers' forecast is 'flawed,' say authors of new report

BOSTON, MA- Specific proposals that several Western states, including California, would implement to comply with a proposed cap-and-trade carbon emissions control pact would destroy jobs and erode income, according to a report co-released by an economics institute.

In a thorough review of the claims made by the Western Climate Initiative, the Beacon Hill Institute at Suffolk University in Boston identified several flaws made by the seven-state consortium, calling into question so-called cost savings ranging between \$11.4 billion and \$23.5 billion. These flaws render WCI's projections useless in determining the initiative's cost to state economies.

The authors of the report write, "Using the Western Climate Initiative's own projections of increases in fuel costs, BHI finds that the policies will decrease employment, investment, personal income and disposable income. While WCI claims the 'design is also intended to mitigate economic impacts, including impacts on consumers, income, and employment,' they fail to quantify the impacts."

Seven states are full participants in WCI: Arizona, California, Montana, New Mexico, Oregon, Utah, and Washington. Beacon Hill found that none of the seven WCI states would escape economic harm should cap-and-trade be imposed. California could lose as many as 78,694 jobs and see a \$30.4 billion reduction in personal income by the year 2020.

Beacon Hill Institute found that WCI's policy recommendations "would have substantial negative effects" on the economies of its member states. Under a scenario in which 100 percent of greenhouse gas emission permits would be auctioned off to emitters in a cap-and-trade scheme, BHI determined that the seven states:

- Would lose from 103,931 to 251,674 private sector jobs, while the permit revenue would allow the states to hire 57,269 to 142,241 state employees;

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- Would put investment by firms at serious risk by slowing investment in the region by \$548 million to \$1,448 million;
- Would diminish total personal income, which would fall by \$6.35 billion to \$18.31 billion per year.

The proposals' negative economic effects stem from the price and tax increases the states would impose on the energy and transportation sectors. Because a cap on carbon emissions is effectively a tax on energy production that is passed to industry, businesses and consumers, the effect is likely to drive commerce and jobs to other states or countries.

“The cap-and-trade program would increase input costs for producers located within WCI states, placing them at a competitive disadvantage to those outside the areas,” BHI noted. “The pressure would be especially acute for producers that utilize large amounts of energy in the production process, such as manufacturers.”

The study was completed and released with the cooperation of several state-level, free-market think tanks in WCI member states.

The complete study is available at www.beaconhill.org.