

Why exactly do people believe that cap-and-trade is going to be effective in reducing greenhouse gas emissions? Let's face it: cap and trade is a nice idea that simply doesn't work in practice. The one success story that proponents have held up was the successful effort to control acid rain. However, that program involved a relatively straightforward technological fix for a few hundred power plants to switch to low-sulfur coal.

But more importantly, cap-and-trade and other government efforts to create "markets" (think of California's energy deregulation spawning Enron's "Operation Death Star") have failed badly. In Los Angeles, the RECLAIM cap-and-trade program to control ground-level ozone was an unmitigated disaster, as the cap eventually had to be reset after permits for more pollution were issued than were actually being emitted. RECLAIM regulators were duped by industry reps who scared them into keeping the cap absurdly high. Meanwhile, over in Europe, the EU cap-and-trade program has been mostly a vehicle for [generating windfall profits for utilities](#) and has failed to actually reduce greenhouse gas emissions. One of the primary causes of the EU failure was the decision to freely allocate pollution credits rather than auctioning them off.

You would think the Waxman-Markey plan would have learned from these lessons. But instead we have a cap-and-trade plan that only auctions 15 percent of the credits and allows [over 2 billion tons of offsets](#), all in a program that covers a "mere" 7400 companies. No wonder Goldman Sachs has been drooling over cap-and-trade for years, reportedly [spending \\$3.5 million to lobby](#) for it. The reality is that industry will game this system with no shame, and government regulators and enforcers will always be twelve steps behind.

Worse, the Waxman-Markey cap-and-trade program preempts two likely sources of effective greenhouse gas regulation. First, EPA's actions to regulate greenhouse gases would cease under Waxman-Markey. EPA is institutionally more competent and well-suited to devise a plan to limit GHG emissions than Congress, a body compromised by coal and agricultural interests that have already forced brutal concessions from the bill's sponsors. Second, Waxman-Markey currently puts California's cap-and-trade program under AB 32 on hold for five years. While I'm clearly no fan of cap-and-trade, my bias as a Californian makes me think that the state's air resources board at least has a fighting chance of devising a successful cap-and-trade program compared to the United States Congress conference committee. And perhaps whatever California does could be replicated in other states and perhaps nationally, were it to actually work.

I would much prefer to see cap-and-trade erased from Waxman-Markey and have EPA regulate greenhouse gases as it does many other harmful pollutants. Let's take this program as far outside of politics as we can, and forget about cap-and-trade as a vehicle for reducing

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greenhouse gas emissions.