

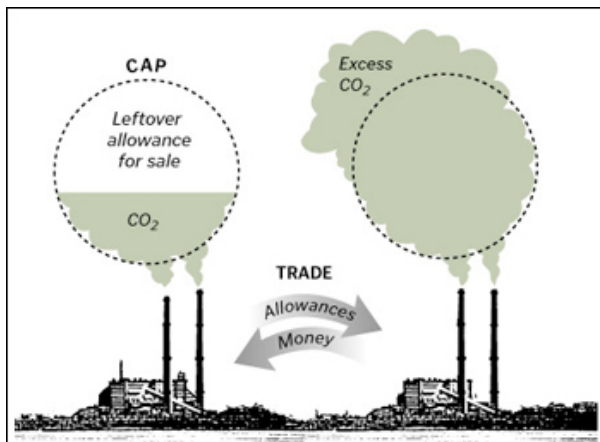


Image from the Washington Post

In another [report issued today](#), the U.S. Environmental Protection Agency counters the predictions of some critics of climate change legislation by concluding that the Waxman-Markey bill would not lead to higher energy costs for consumers. In fact, the EPA concludes that household energy costs actually may go down. In one scenario, each household on average would save \$80 per year. In another scenario, the annual savings would be \$111.

How does the EPA reach this result? Partially, by considering the broader impact of the bill — not just the cap and trade provisions. When energy efficiency improvements spurred by the bill are taken into account, annual energy consumption is reduced below what it would be without the legislation. Partially by assuming that some of the cost of carbon credits would be captured through an auction and returned to consumers. And partially by lowering the predicted market cost for carbon credits. Because of offset provisions, and the “loosening” of the cap on emissions, the EPA expects the cost of credits to be less than previously assumed.

Any of these input assumptions (and more) are subject to debate. But the broader message survives. There likely are ways to design a comprehensive energy and carbon reduction program that would not place significant new burdens on consumers. In fact, the movement to green tech, which promises to create many new jobs, also could help to keep costs in line.