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Capping Carbon: Northeast Utilities Pay to Pollute, But Does That Matter?

Posted by Keith Johnson

The U.S. is now a member of the cap-and-trade club, after a successful auction of greenhouse-gas emissions permits among a handful of Northeastern states last week. So what's the verdict on the Regional Greenhouse Gas Initiative?



Jumping in with both feet (AP)

Demand was [actually pretty strong](#)—Six of the ten states in the scheme offered 12.5 million permits for power companies to pollute. Bidders actually wanted more than 50 million permits, a sign of serious interest among utilities in getting their hands on the permits. (And it was largely utilities that were bidding; organizers said power companies, rather than environmental groups or third-party traders, bought “most” of the allowances.)

But demand wasn't strong enough to actually make the emissions permits expensive: The auction price of \$3.07 a ton was a little bit above the minimum bid price of \$1.86 a ton, and just below the \$4-something figures bandied about ahead of the auction. In comparison, greenhouse-gas emissions permits in the European scheme are trading at about \$37. The more expensive the permits, [the more incentive](#) utilities have to switch to cleaner-burning fuels that will curb greenhouse-gas emissions.

So what does RGGI's debut mean? Not terribly much for now, experts say. State and regional cap-and-trade schemes like RGGI, or California's plan to slash emissions, are most useful as dress rehearsals for the mechanics of putting a pricetag on carbon emissions, rather than actually slashing them. That at least went well, [organizers and monitors say](#)—the complicated auction process came off without a hitch.

But to really cut emissions, policy makers are going to have to aim higher. “Trying to cut emissions doesn’t make sense at a city, state, or even national level,” says Wiley Barbour, the director of the [American Carbon Registry](#) and former EPA official who’s worked on climate policy for over a decade. “It really has to be a global program,” he said.

Which passes the buck back to Senators McCain and Obama. How will the U.S., shackled with the double whammy of a possible recession and the cost of the financial bailout package, muster the resources to launch a nationwide, economy-wide climate-change scheme? And given that China is now the world’s biggest emitter of carbon dioxide, who has to make the first move?

The U.S. should, Mr. Barbour says—and not just for a question of leadership. “We really have to start distinguishing between ‘survival’ emissions, the kind that come from refrigerators keeping medicines fresh in developing countries, and ‘luxury’ emissions that come from running the air conditioner in a 7,000 square-foot home.”

The U.S. pioneered market-based approaches to pollution control in the early 1990s by tackling acid rain. After RGGI’s debut, will it take the lead in tackling global warming, too?

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