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Global Climate Economic Impact Studies

The President's chief economic advisor, Dr. Janet Yellen, has provided very limited supporting information behind her claims of "modest economic impact" from the Kyoto Treaty. Their results rely heavily on the unrealistic assumptions of more than 75% of credits from emissions trading and world-wide developing country participation. Several economic impact studies have been commissioned to date. Following is a summary of many of the most recent studies.

Study: Energy Information Administration
For: Department of Energy
Date: March 1998

The EIA concluded the Kyoto Treaty would only slow modestly the growth of GHG emissions. CO₂ emissions would grow 32% above 1990 levels by 2010 – slightly less than the 44% growth that would occur without the treaty – because of the growth of emissions in developing countries like China, Mexico and India. By 2020, emissions would grow by nearly 60% even if the U.S., Europe, Japan and other industrialized nations comply with the Kyoto requirements.

Contact: Jay Hakes or Mary Hutzler, (202) 586-2222

Study: Argonne National Laboratory
For: Department of Energy
Date: February 1997

The Argonne Study concluded that policy restrictions on six energy intensive industries in developed countries, but not their less developed trading partners, would result in significant adverse impact. Furthermore, the study finds emissions would not be reduced significantly. The main effect of the policy would be to redistribute output, employment and emissions from developed countries to developing countries who are not required to participate.

Contact: Harvey Drucker, (630) 252-3804 or Bill Wicker, (202) 586-5806

Study: WEFA, Inc. (formerly Wharton Econometric Forecasting Associates)
For: Industry Groups
Date: April 1998

WEFA estimates that a carbon fee of \$265 per metric ton would be required by late next decade to reduce emissions to the Kyoto Protocol's levels, resulting in (1) Total output reduction of 3.2% or \$300 billion (in 1992\$) or \$2700 per family; (2) Loss of more than 2.4 million jobs; (3) a competitive advantage for advanced developing countries that are not required to participate; and (4) Sharply higher gasoline (65 cents per gallon) and gas and electricity prices (double).

Contact: Mary Novak, (781) 221-0340

(more)



Study: Charles River Associates
For: American Automobile Manufacturers Association
Date: November 1997

Based on achieving 1990 levels, Charles River estimates that, by 2010, a \$177 per ton carbon tax will be needed to meet emissions caps, causing price increases for natural gas (46%), electricity (23%) and heating oil (45%). Economic output loss will be 1% or roughly \$94 billion and energy consumption will need to be reduced by about 25-30%.

Contact: David Montgomery, (202) 662-3800

Study: CONSAD Research Corporation
Date: March 1998

Based on reductions 3% below 1990 levels, CONSAD estimates that by the year 2010, more than 3.5 million jobs will be lost, mostly in the aluminum, chemicals, mining, paper, petroleum and steel industries. CONSAD estimates a loss of \$359 billion in Gross Domestic Product (GDP). Energy prices will rise by 59% causing an \$87 billion reduction in disposable income or \$875 per household.

Contact: Will Steger, (412) 363-5500

Study: Standard & Poor's DRI
For: Labor Unions
Date: August 1998

This study prepared for labor unions, confirms that even with significant emissions trading and other flexibility mechanisms, the Kyoto Protocol will (1) cost 1.3 to 1.7 million jobs, (2) annual GDP losses of \$112 to \$178 billion, (3) cause energy prices to rise up to 77% in some sectors, (4) cause household income to decrease 1,021 to 1,403 per family and (5) increase household energy costs by 1,012 to 1,573.

Contact: Michael Buckner, UMW, (202) 842-7280, Joe Corcoran (301) 439-1832

Other Notable Studies:

Department of Energy "11 Labs" Report, DOE, (202) 586-5806, October 1997
Technology Opportunities to Reduce U.S. Greenhouse Gas Emissions

Department of Energy "5 Labs" Report, DOE, (202) 586-5806, September 1997
Energy Efficiency and Clean technologies can produce savings to equal costs

Dr. Stephen S. Fuller, George Mason University Institute of Public Policy; (703) 993-3186, April 1998
Fiscal Impact of Energy Cost Increases on America's Cities

Dr. David Harrison, National Economics Research Associates, Inc.; (617) 621-0444, 1998
Designing and Implementing Effective International Emissions Trading

Dr. Gary Yohe, Wesleyan University -- for the American Council for Capital Formation; (202) 293-5811, June 1997
Climate Change Policy, Risk Prioritization and U.S. Economic Growth