



Global Climate Coalition

**A voice for business in
the global warming debate**

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Economic impact of Kyoto reinforced by EIA analysis

*"Higher energy prices and the impact
of the higher prices on the broader
U.S. economy will encourage
consumers to reduce energy
consumption by between 4 and 18
percent in 2010"*

--EIA Report

More doubts about the real cost of the Administration's commitment to the Kyoto Protocol were raised in October 1998 when the Energy Information Administration, the forecasting unit of the U.S. Department of Energy, concluded that the price tag for Americans could be astronomically higher than what the Administration had been telling Congress and the public.

Examples of the impact on the average pocketbook: Increases in electricity costs as high as 86 percent. Gasoline prices 66-cents a gallon higher in the worst case, compared with the Administration's estimate of 5.5 cents. Fuel oil prices as much as 76% higher and natural gas prices rising by as much as 147% over baseline.

Rep. James Sensenbrenner, chairman of the House Science Committee which requested the study, said EIA's report showed the Administration was "sugarcoating harsh realities."

The peril in rosy forecasts

The Clinton Administration publicly offered optimistic assumptions on what it will take to implement the Kyoto Protocol on global warming. In reality, the cost to American families could be 10 times the estimates made by the Administration.

For more on this, click here.

link to Charles River

The study, *Impacts of the Kyoto Protocol on U.S. Energy Markets and Economic Activity*, examined six cases with different reductions in energy-related carbon emissions. In the case with the highest target carbon emissions are reduced by an average of 122 million metric tons a year relative to the projected baseline emissions between 2008 and 2012, which allows an increase of about 24 percent above 1990 levels. For the lowest target, emissions are reduced on average by 542 million metric tons relative to the baseline, or 7 percent below 1990 levels. Each case implicitly assumes different levels of international actions, offsets, or sinks, but these are not quantified.

- [Read the full text of the
EIA news release.](#)

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Nearly every study projects economic harm to the strong U.S. economy if the Kyoto Protocol enters in force.

These are some examples.

DOE Argonne National Lab concluded restrictions on six energy intensive industries – chemicals, petroleum refining, paper, iron and steel, aluminum and cement -- in developed countries, but not in the less developed trading partners, would result in significant adverse impact. The main effect would be to redistribute output, employment and emissions from developed countries to developing countries that are not required to participate.

WEFA, Inc. estimated the Kyoto Protocol will result in ...Total annual output reduction of \$300 billion or \$2,700 per family ...Loss of more than 2.4 million jobs ...A competitive advantage for advanced developing countries that are not required to participate ...Sharply higher prices for gasoline (65 cents per gallon) and gas and electricity (double).

Charles River Associates estimated the Protocol will cause price increases for natural gas (46%), electricity (23%) and heating oil (45%). Energy consumption will need to be reduced by about 30%.

CONSAD Research estimated that by 2010, more than 3.5 million jobs will be lost, mostly in the aluminum, chemicals, mining, paper, petroleum and steel industries. CONSAD estimated a loss of \$359 billion in Gross Domestic Product. Energy prices would rise 59% causing an \$87 billion reduction in disposable income, or \$875 per household.

Two Administration studies predict lesser impacts, but they assume circumstances that do not exist, will be very difficult to implement, or inevitably may never occur.

» The DOE five national labs study concluded a national investment in energy efficiency and clean technologies can reduce U.S. emissions and produce energy savings that roughly will equal costs. The study concluded emissions reductions can be achieved through technology improvements without increasing the nation's energy bill.

» The President's Council of Economic Advisors Chair, Janet Yellen, said the Kyoto Protocol will have a "modest" impact on the economy. Using such assumptions as efficient international trading schemes and complete developing country participation, the analysis included increases of only 2-4 cents in gasoline prices, and a cost of only about \$100 per family per year.