



15 February 2002

Realism in Cutting Emissions

By R. Glenn Hubbard

Op-ed column from *The New York Times* 02/15/02

This column by R. Glenn Hubbard, chairman of the President's Council of Economic Advisers, first appeared in the New York Times February 15 and is in the public domain. No republication restrictions.

The climate policy President Bush announced yesterday sets out a better and far more workable approach for measuring progress against global warming than the one in the Kyoto framework he rejected last spring. The president set the goal of an 18 percent reduction over the next 10 years in greenhouse gas intensity -- the ratio of emissions to economic activity -- not an arbitrary goal for curbs on total emissions. And he announced steps to get there.

This emphasis not only removes a large part of the economic risk associated with goals based on a fixed emission limit, but gives American industries a target, similar to a goal for productivity or efficiency, that they can shoot for in practical ways. Because it is realistic and workable, it is likely to move us, at last, beyond arguments at the extremes and toward real action against climate change.

For most of the past century, economic growth, energy use and emissions of carbon dioxide -- the dominant greenhouse gas -- have been linked. In this setting, a fixed emission limit harms the economy. Until we invent and commercialize new technologies to generate electricity and provide transportation -- as the president's science and technology initiatives encourage -- a fixed emission limit eventually means lowering economic growth. In fact, as Russia demonstrated in the past decade, the surest way to experience emissions declines is to go through an economic collapse.

By tying goals to economic activity, the president's policy encourages a flexible response but does not take economic risks.

The goal of his plan is both serious and meaningful: an 18 percent decline in greenhouse gas intensity over 10 years implies a 4.5 percent reduction in annual greenhouse gas emissions, relative to what they would be if we moved ahead according to current forecasts. Meeting it will require real reductions: faster adoption of energy-saving technologies; improved recovery of methane that currently escapes from coal mines, gas pipelines and landfills; and programs to improve forestry and agriculture so they absorb more carbon dioxide. These are reasonable steps that require a level of effort the administration believes is warranted, given the current state of climate science.

Yet many of these reductions are not easily encouraged in traditional ways. An economist's first choice for lowering industrial pollution is usually a cap-and-trade program. Companies

are required to measure their emissions in tons and obtain an equal number of emission allowances, which can then be traded with other companies. This encourages the least expensive reductions. President Bush has proposed such a system to control sulfur dioxide, nitrogen oxide and mercury emissions from power plants. But applying this concept to greenhouse gases would be premature and would risk unnecessarily high costs. The methane and carbon storage options that are among the most practical means now to reduce greenhouse gases cannot easily be measured for trading.

Instead, the president has challenged businesses to figure out innovative ways to measure and record their reductions and has promised them that their investments in emissions reductions today would not only be protected from future policy decisions, but that the credits generated by these investments could be traded.

For too long, the loudest voices in the climate change debate have either called for large emission reductions in the next 10 years or ignored the fact that climate change is a real risk. President Bush's plan makes sense: focus on a reasonable approach to slow, stop and then reverse growth in greenhouse gas emissions; don't wreck the economy in the process; and adjust future policy in response to scientific and technical progress. He has added a fresh, reasoned voice to the debate.

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