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A Real Nor'easter

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Environmentalists recently leaked to the New York Times plans for costly regulations that will significantly raise energy, goods and services prices for both businesses and consumers within a nine-state region of the northeast. The regulations will have adverse impacts far beyond the region, too. These increases will materialize, unless vigorously opposed, as early as this coming fall.

The plan, known as the Northeast Regional Greenhouse Gas Initiative (RGGI or "Reggie"), would impose a mandatory cap on the carbon dioxide greenhouse gas (GHG) emissions of locally-based power plants. And it would entail the establishment of a GHG registry and a GHG emissions trading scheme overseen by a regional multi-state body.

RGGI is the first interstate regulatory regime of its kind within the U.S. - a regional pact (Model Rule) designed by, and to function among, nine Northeastern and Mid-Atlantic States. RGGI was designed to serve as a template for other states and Congress to follow. California, Oregon and Washington have already begun to craft RGGI II. If RGGI fails, it will adversely affect many other efforts being sown in other U.S. states and regions.

RGGI also has controversial international dimensions - it involves five Canadian provinces and an unknown number of EU member nations that have been advising northeastern governors and regulators since at least 2002. These unique RGGI characteristics arguably violate a number of federal and U.S. constitutional laws and will likely be challenged in U.S. courts.

There is increasing evidence that RGGI will interfere with and undermine U.S. foreign policy in several ways. For example, strategic U.S. positions advanced at the United Nations and the current Doha Round of World Trade Organization negotiations are likely to be compromised. This is especially true given the new global warming pact recently reached between the U.S., Australia, China, India, Japan and South Korea. That pact emphasizes research and development incentives to spawn creation of new climate mitigation technologies rather than regulation.

Reggie is emerging at an awkward time for global warming alarmists. The practical and legal difficulties inherent to mandated GHG reductions are becoming evident. For example, several European nations that helped push for ratification of the Kyoto Protocol, the global pact designed to limit GHG emissions, are badly failing to meet their self-imposed targets.

Environmentalists and state attorneys general, including Eliot Spitzer, have already lost one major greenhouse gas-related suit against the U.S. Environmental Protection Agency. And, they may likely lose another suit previously brought against major power utilities, if the skepticism expressed by the presiding judge during recently held oral arguments is any indicator. This would be devastating to RGGI which -- rather than focusing on reducing GHG intensity, which is clearly achievable -- focuses instead on reducing actual GHG emissions.

No matter how the press emphasizes the illusory benefits of RGGI, the facts speak for themselves: the high costs of RGGI will be borne in vain by regional consumers and businesses because RGGI will be unable to deliver the measurable environmental benefits promised.

Our organization participated in a RGGI public stakeholder meeting that took place in Boston this past May. It was telling how little information had been provided to participating industry stakeholders until that time, and how nervous state regulators became after the ITSSD and some industry participants began questioning RGGI economic and environmental modeling assumptions. Apparently, regulators had assumed a paternalistic posture, thinking they knew what was best for the public. This practice sounds eerily similar to the modus operandi of the federalist European Commission regulators in Brussels. Fortunately, things began to change following that meeting and more information has been shared.

The information leak that led to the writing of this recent New York Times article will, with luck, constitute the beginning of a public debate which until now had been sorely lacking. RGGI is likely to have broad negative implications for both the northeastern region and the nation as a whole. Therefore, the American public must become involved and vigorously debate RGGI before it is too late.

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