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'Cap and trade' impact on US competitiveness modest: study

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A proposed market to trade rights to emit greenhouse gases would have only a modest impact on the competitiveness of energy-intensive US industries, a private study published Wednesday concluded.

Manufacturing industries with high levels of energy use would lose an average 1.0 percent of their production to imports from countries where greenhouse gas emissions are not penalized, the report published by the independent Pew Center on Global Climate Change said.

The estimate was based on an assumption that a ton of carbon dioxide, the main greenhouse gas contributing to global warming, would sell for 15 dollars in an American "cap and trade" market in which industries could buy rights to emit the gases from industries that use less energy.

The cap and trade proposal, which has been championed by President Barack Obama, is contained in a bill now in Congress.

"The analysis shows clearly that, at the price level studied, the potential impacts are very modest and very manageable," said Pew Center President Eileen Claussen.

"Policymakers have a range of policy tools to mitigate the modest economic impacts that may be foreseen. The bottom line is that fear of competitive harm should not stand as an obstacle to strong climate policy."

Economists Joseph Aldy and William Pizer produced the report while they were with "Resources for the Future," a Washington think tank, but both have since taken positions in the government.

They concluded that the negative impact on competitiveness could be offset by policies that specifically target energy-intensive manufacturing industries, including rebates to compensate them for increased regulatory costs.