



Opening Statement of Sen. Chuck Grassley  
“Climate Change Legislation: Considerations for Future Jobs”  
November 10, 2009

It’s the responsibility of Congress to weigh the costs and benefits of every policy decision it makes, and the bigger the issue the more important it becomes. This isn’t the Environment Committee so this isn’t the place for a detailed examination of the purported environmental benefits of any climate change proposal, although that is an important part of the equation. This committee’s expertise is in the costs and economic impacts of new taxes. It therefore has the relevant expertise for evaluating the costs associated with climate change legislation.

Today’s hearing about the impact of climate change legislation on jobs builds on lessons this committee has learned from past hearings. Last year, then-Congressional Budget Office Director Peter Orszag testified that under a cap and trade system, price increases for energy would necessarily increase; “skyrocket” is the term President Obama has used. Dr. Orszag explained, “Such price increases would stem from the restriction on emissions and would occur regardless of whether the government sold emission allowances or gave them away. Indeed, the price increases would be essential to the success of a cap-and-trade program...”

Both he and Robert Greenstein of the left-leaning Center on Budget and Policy Priorities also testified that the impact of those price increases would fall most severely on the lowest income Americans.

Some have tried to claim that a cap and trade bill would somehow make enough money through auctioning allowances to cover increased costs to American families, but this ignores the fact that this money will be taken from the American people in the first place. The current director of the CBO, Doug Elmendorf, addressed this issue when he testified before this committee in May. In response to written questions, he made clear that, “the allowances that are created under a cap and trade program do not add wealth to the economy. Rather, they are simultaneously a cost and a source of income.” He also made it very clear that the value of allowances would “...inevitably fall short of the total economic effects of the policy...” In other words, there is no free lunch here.

At that same hearing, Dr. Elmendorf testified that “...by channeling productive resources toward reducing (the risk of damage from climate change) rather than toward producing goods and services that are measured in gross domestic product (GDP), such policies would be likely to

reduce GDP relative to what otherwise would occur.” In testimony just last month before the Energy and Natural Resources Committee, he confirmed that economic productivity and jobs would be lost as a result of the House-passed cap and trade bill. Despite this, the more stringent Senate version of this legislation is incredibly titled the “Clean Energy Jobs and American Power Act.” Like any government regulation, there will inevitably be winners and losers, and we’ll be hearing a little about both in today’s hearing. However, an honest cost-benefit assessment requires that we first stop trying to sell this policy as if it will have no cost for Americans and accept the basic economic principle that there is no such thing as a free lunch.