

# Obama's Cap and Trade Carbon Emissions Bill - A Stealth Scheme to License Pollution and Fraud

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On May 15, HR 2454: American Clean Energy and Security Act of 2009 (ACESA) was introduced in the House purportedly "To create clean energy jobs, achieve energy independence, reduce global warming pollution and transition to a clean energy economy."

In fact, it's to let corporate polluters reap huge windfall profits by charging consumers more for energy and fuel as well as create a new bubble through carbon trading derivatives speculation. It does nothing to address environmental issues, yet on June 26 the House narrowly passed (229 - 212) and sent it to the Senate to be debated and voted on. More on that below.

On March 31, Energy and Commerce Committee Chairman Henry Waxman and Energy and Environment Subcommittee Chairman Edward Markey released a "discussion draft" of the proposed legislation and falsely claimed:

- it's "a comprehensive approach to America's energy policy that charts a new course towards a clean energy economy;" it will
- create millions of clean energy jobs....that can't be shipped overseas;
- put America on the path to energy independence;
- reduce our dependence on foreign oil;
- save money by the billions;
- unleash energy investment by the trillions;
- cut global warming pollution;
- strengthen our economy;" and
- make "America the world leader in new clean energy and energy efficiency technologies."

Strong-arm pressure, threats and bribes got the bill through the House. Forty-four Democrats opposed it. Eight Republicans backed it. Over 1200 pages long, few if any lawmakers read it.

After passage, Chairman Markey said:

“It’s been an incredible six months to go from a point where no one believed we could pass this legislation to a point now where we can begin to say that we are going to send President Obama to Copenhagen in December as the leader of the world on climate change.”

Speaker Pelosi praised the bill as “transformational legislation which takes us into the future” and added that after passage she took congratulatory calls from Obama, Senate Majority Leader Harry Reid and Al Gore. The former vice-president has long-standing ties to Goldman Sachs (GS), and in 2004 he and David Blood, CEO of GS’s asset management division until 2003, co-founded Generation Investment Management LLC, a firm likely to profit greatly from cap and trade schemes.

In a prepared June 25 statement ahead of the House vote, Obama said:

“Right now, the House of Representatives is moving toward a vote of historic proportions on a piece of legislation that will open the door to a new, clean energy economy.”

After citing the same false claims as Waxman and Markey, he called the legislation “balanced and sensible” and “urge(d) every member of Congress – Democrats and Republicans – to come together and support” it.

Polluters love it. So does Wall Street and corporate-friendly environmental groups like the Environmental Defense Fund. The opposition, however, includes Greenpeace, Friends of the Earth and Public Citizen.

In a joint May 13 press release, they were “extremely troubled (about) compromises to the already flawed American Clean Energy & Security Act.”

It contains enough loopholes to make its claimed performance standards worthless, one of which prohibits the EPA from using the Clean Air Act to regulate future greenhouse gas emissions. That alone means they’ll proliferate beyond what new technology reduces on its own, and only then if it’s profitable to do it.

On June 23, Friends of the Earth president Brent Blackwelder said:

“Corporate polluters including Shell and Duke Energy helped write this bill, and the result is that we’re left with legislation that fails to come anywhere close to solving the climate crisis. Worse, the bill eliminates preexisting EPA authority to address global warming – that means it’s actually a step backward.”

A June 25 Greenpeace press release stated:

“As it comes to the floor, the Waxman-Markey bill sets emission reduction targets far lower than science demands, then undermines even those targets with massive offsets. The giveaways and preferences in the bill will actually spur a new generation of nuclear and coal-fired power plants to the detriment of real energy solutions.”

On June 27, Public Citizen (PC) called the bill “a new legal right to pollute (that) gives away

85 percent of (its) credits to polluters. (It) will not solve our climate crisis but will enrich already powerful oil, coal and nuclear power companies.” PC wants polluters to cut their emissions 80% below 1990 levels by 2050 and pay for credits, not get them free. It also cited the American Wind Energy Association saying that the renewable standard will deliver “effectively zero” new ones.

PC wants consumers protected, not charged a “carbon tax....The bill doesn’t, but should, provide money to help homeowners pay for such things as weatherization or to receive rebates for rooftop solar.” Its main “consumer protection provision distributes free pollution allowances to electric and natural gas utilities (on the assumption) that the 50 different state utility commissions will redirect all that money back to consumers.” In fact, HR 2454 is a thinly-veiled scheme to let companies profit from polluted air, in part financed by a consumer “carbon tax.”

Big Coal gets a waiver until 2025. Agribusiness is exempt altogether even though it’s responsible for up to one-fourth of greenhouse gas emissions. The nuclear industry will benefit hugely from the free allowances provision. A leaked memo had Exelon, the nation’s largest nuclear power company, bragging that it will reap a \$1 - \$1.5 billion annual windfall.

Overall, carbon trading is a scam, first promoted in the 1980s under Reagan. Clinton made it a key provision of the 1997 Kyoto Protocol. He signed it in 1998, but it was never ratified. As of February 2009, 183 nations did both, but independent scientists call it “miserable failure” needing to be scrapped and replaced by a meaningful alternative.

ACESA is about profits, not environmental remediation. Its emissions reduction targets are so weak, they effectively license pollution by creating a new profit center to do it.

### **The Next Bubble**

Wall Street also will reap a huge bonanza through carbon trading derivatives speculation exploiting what Commodity Futures Trading commissioner Bart Chilton believes will be a \$2 trillion market - “the biggest of any (commodities) derivatives product in the next five years.” Others see a future annual market potential of up to \$10 trillion based on these schemes:

- government-issued cap and trading carbon allowance permits to let polluters emit a designated amount of greenhouse gases; those exceeding the limit can buy rights for more from companies below their limit;

- carbon offsets that let companies emit excess greenhouse gases provided they invest in projects purportedly cutting them elsewhere, either domestically or abroad; they can also fulfill their obligation by stretching out investments for up to 40 years - far enough ahead to avoid them altogether; and

- besides trading allowances and offsets, polluters and Wall Street can play the derivatives game, including with futures contracts for a designated number of allowances at an agreed on price for a specified date.

According to Robert Shapiro, former Undersecretary of Commerce in the Clinton administration: “We are on the verge of creating a new trillion dollar market (through) financial assets that will be securitized, derivatized, and speculated by Wall Street like the mortgage-backed securities market” and all others that inflated bubbles that burst. If cap

and trade becomes law, this market will explode so Wall Street is pressuring senators to pass it.

According to the Center of Public Integrity (CPI), around “880 total businesses and groups....reported they were seeking to influence climate change policy” as addressed in HR 2454. Representing 770 of them are “an estimated 2340 lobbyists,” a 300% increase in the past five years, or more than “four climate lobbyists for every member of Congress.”

In 2003, Wall Street employed none on climate issues. CPI says it now has 130 representing the usual players like Goldman Sachs, JP Morgan Chase, Citigroup and others, and why so is simple - to create a huge new revenue stream to make up for ones lost with perhaps others in the wings, thus far not revealed. Waxman - Markey delivered splendidly, setting the stage for another bubble if HR 2454 becomes law with huge pressure now on senators to assure it.

### **Warning: Cap and Trade Bubble Ahead**

On July 1, Catherine Austin Fitts' Solari.com blog headlined “The Next Really Scary Bubble” in stating:

“If you think the housing and credit bubble diminished your financial security and your community, or the bailouts, or the rising gas prices did as well, hold on to your hat” for what’s coming. “Carbon trading is gearing up to make the housing and derivative bubbles look like target practice.”

She quoted Rep. Geoff Davis calling it “a scam,” Rep. Devin Nunes saying it’s a “massive transfer of wealth” from the public to polluters and Wall Street, Rep. James Sensenbrenner stating “Carbon markets can and will be manipulated using the same Wall Street sleights of hand that brought us the financial crisis,” and Dennis Kucinich citing “The best description to date (to) be found in Matt Taibbi’s....’The Great American Bubble Machine: From tech stocks to high gas prices, Goldman Sachs (GS) has engineered every major market manipulation since the Great Depression - and they are about to do it again.’ ”

Taibbi calls GS the “world’s most powerful investment bank....a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money.” It operates by positioning itself “in the middle of (every) speculative bubble, selling investments they know are crap.”

They control Washington and profit by extracting “vast sums from the middle and lower floors of society with the aid of a crippled and corrupt state that (lets it) rewrite the rules in exchange for the relative pennies (it) throws (back as) political patronage.”

When inflated bubbles burst “leaving millions of ordinary (people) broke and starving, they begin the entire process over again (inflating new bubbles and) lending us back our own money at interest....” They’ve been at this since the 1920s and are “preparing to do it again (with) what may be the biggest and most audacious bubble yet” - a new cap and trade derivatives scam written into HR 2454 with GS positioned to profit most from it. Taibbi calls its market edge a position of “supreme privilege (and) explicit advantage” ahead of all others on the Street.

Contributing \$4,452,585 to Democrats in 2008 (around \$1 million to Obama) was mere pocket change for what it can reap from scams like cap and trade disguised as an

environmental plan. The scheme was devised. GS helped write it. The House passed it and sent it to the Senate. Unless stopped, it will transfer more of our wealth to corporate polluters and Wall Street on top of all they've stolen so far from derivatives fraud and the imploded housing and other bubbles. And Goldman will lead the way finding new ways to do it until there's nothing left to extract.

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