


U.S. Smog Swapping May Be Global Model

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By Amanda Onion, FOX News

NEW YORK — It's a notion that marries the profit-minded business world to the principle-oriented environmental movement: buying and selling the right to pollute.

By establishing pollution as a limited commodity, companies may sell credits if they pollute less, or buy credits if they exceed their limit. Meanwhile, an overall cap keeps emissions levels low in the big picture.



emissions trading

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These days, emissions trading is big business in the U.S. The Environmental Protection Agency predicts trading in sulfur-dioxide emissions will reach \$648 million by the end of this year. But tying business to environmental conservation can also be a messy task that doesn't always produce the right results.

And now that world leaders are considering adopting a similar program to curb emissions on a global scale, debate is increasing about whether pollution trading is truly a viable, effective solution. While no one claims pollution trading is a flawless system, proponents argue it needs tweaking — not scrapping.



E.N. Smith/Wide World

An employee indicates one of the Jacobs Ranch coal mine pits. High demand for Wyoming's low-sulfur coal has made the state the nation's leading coal producer

"Sure there are going to be inaccuracies and people who try to cheat the system," said Kevin Snape, director of the Clean Air Conservancy, an environmental group that supports pollution trading. "But that doesn't mean it won't work."

The EPA first introduced the idea of pollution as a commodity during the Bush administration under the Clean

Air Act of 1990. The system is intended to encourage businesses to replace government in devising cost-effective tools to reduce

pollution by offering financial rewards — and penalties — as incentives.

So far it appears to have worked — the price of reducing emissions has dropped dramatically. While industries had complained that the cost of removing emissions amounted to \$1,500 a ton, this year's credit prices reflect a much lower figure: about \$90 per ton of reduced emissions.

Meanwhile, a yearly tightening of standards is expected to drive up the cost of emission credits and force companies to find even better solutions. Prices are also being pushed up as environmental groups like the Clean Air Conservancy raise money to buy up pollution credits and retire them from the market.

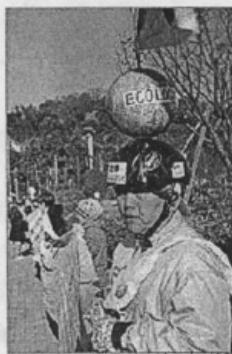
Snape, a die-hard green, was skeptical of the plan at first, but with the EPA reporting a 30 percent drop in sulfur-dioxide emissions since the program's initiation in 1994, he says the results are unmatched by traditional regulatory methods.

"If we simply tell General Motors or BP that 'you have to meet these regulations', they're going to find a way not to comply," Snape said. "This harnesses companies' own natural greed to make them do the right thing."

But some are less quick to credit the trading system with the reduction in emissions. Ann Mesnikoff at the Sierra Club attributes the drop in sulfur-dioxide emissions to a drop in the price of cleaner-burning coal. The drop in prices encouraged industries to buy low-sulfur coal — something they would have done anyway to meet air quality standards — and gather easy credits. The problem, she argues, is that the efforts stop when they are no longer economical.

For example, the *Wall Street Journal* recently reported how an emissions manager at Wisconsin Electric Power Co. found he was able to reduce emissions by switching to the low-sulfur coal, opting instead to meet the assigned quota by buying the credits on the market. Daniel Chartier says he was able to save his company about \$100,000 million dollars by buying credits on the market and not investing in expensive filtering machines.

"If we can turn to the market where somebody else has already



Chikako Yatabe/AP
Shigeru Sugai holds a long 'save-the-earth' banner in front of the Kyoto International Conference Hall during the global warming conference

cleaned up their emissions and buy the allowances, that's what we intend to do," Chartier said. "We have the obligation to our customers to do the most cost-effective thing."

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Companies can win some emissions credits by buying pre-1982 vehicles and having them scrapped

Still, in theory, that kind of evasion will be weeded out as limits are incrementally reduced and it becomes cheaper to install filtering equipment. Chartier admitted his company would resort to investing in cleaning instruments if it did become a cheaper alternative.

Actually the most compelling argument against emissions trading is unlikely to apply to the global plan recently devised in Kyoto, Japan. Some argue that emissions trading creates so-called "toxic hot-spots" — localized regions where air pollution builds up to intolerable levels.

Critics have filed suit over a California program that gives emissions credit to companies who buy and scrap old cars.



Carbon dioxide (CO₂) becomes dangerous as it dissapates evenly into the earth's atmosphere and contributes to global warming. Substances like sulfur dioxide (SO₂), nitrous oxide (NO_x) and other volatile organic compounds (VOCs) collect locally, contaminating the local area rather than the global environment

But the Kyoto treaty proposes limiting trading to emissions of carbon dioxide, a gas that dissipates quickly and does not cause localized pollution. Carbon dioxide is harmful only once it reaches the earth's atmosphere and contributes to global warming.

The main trick in implementing a global trading market for CO₂ emissions will be in regulation. Sierra Club and Nape argue that it will be impossible to track the emissions records of companies in

Mexico or the Congo to ensure that they are meeting the standards they claim. In fact, Drury reports that fraud is not entirely absent even in the U.S. system. His organization is now investigating one company in Los Angeles for fraudulently claiming emissions credits.

Meanwhile, the Sierra Club cites other concerns. "Say there is an old factory in Russia that was going to close down anyway and a U.S. company comes in and says 'Wait, we'll pay you to shut down so we can get the credits,'" Mesnikoff said. "That's a sham transaction."

Graciela Chichilnisky, an economics professor at Columbia University and an advisor at UNESCO, is one of those assigned to devise a global regulatory body. "Trading itself is not a solution unless you have level playing field," she said.

Her proposed International Bank for Environmental Settlements would be responsible for assigning pollution caps for each country and for ensuring fair trade. She and her colleagues are now working on the details of the plan, to be completed by next November when the 166 signatories to the Kyoto Global Warming treaty will meet in Buenos Aires.

Sierra Club's Mesnikoff is interested to see what they devise, but she remains skeptical.

"Maybe — maybe they'll come up with a plan that's so lock-tight that it will actually accomplish something," she said. "But we will still have problems."

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