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Senate Testimony

Presented to:

U.S. Senate Committee on Environment and Public Works

Honorable Barbara Boxer, Chairwoman

Presented by:

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Madam Chairwoman, ladies and gentlemen of the Committee. On behalf of the National Black Chamber of Commerce (NBCC), thank you for the opportunity to address you today.

I come to you, not as an economist, but with a deep understanding of small and minority-owned businesses and as someone who has experience with consumer behavior.

Climate change is a vital issue that must be addressed. It will take time and cost real money to mitigate humanity's influence on our climate. The thing that concerns me and many of the 95,000 business members of the National Black Chamber is that any legislation Congress enacts must consider the impact that costs will have on small and minority-owned businesses, their ability to create jobs and the impact on the communities that they serve.

Regretfully, the current legislation out of the U.S. House of Representatives will negatively impact the most vulnerable of our society. I'm sure that those who proposed it had the best intentions, but the bill doesn't do what it's supposed to do, and it does so at a very high cost -- especially high for working families and small business owners.

I learned a long time ago to beware of any document that has more authors than readers. The fact that so few people have actually read the House bill may explain why the full costs that American businesses and everyday people would shoulder are not readily apparent. Let me quote from a recent study that we did with CRA International:

- Businesses and consumers will face higher energy and transportation costs that could lead to increased costs of other goods and services throughout the economy;
- Household disposable income and household consumption would fall. Purchasing power would decline by \$730 in 2015 and \$940 in 2050, adjusted against 2010 base income levels;
- Wages and returns on investment would fall, lowering productivity growth and reducing employment opportunities. Wages would decline \$170 a year by 2015, \$390 a year by 2030 and \$960 a year by 2050;
- Green jobs gained would be swamped by jobs lost in old industries and businesses, leading to a net loss of 2.3 million to 2.7 million jobs.

These impacts, the study found, would differ across regions, across industries and across income levels depending on changes in local energy costs and on allocation formulas for permits. And that worries me and my members because the black community suffers mightily when the economy goes south.

Finally, there's the issue of how this House bill would limit our ability to compete internationally. Our study found that there is no environmental impact to justify this loss of income and siphoning away our nation's wealth as long as developing nations such as China and India aren't part of the program. They'll be happy to open the factories and the businesses we can't afford to build here.

Our report also highlighted that U.S. emissions would exceed the caps put on them by 30% due to international offsets, resulting in a transfer of wealth varying from \$40 billion to \$60 billion per year from 2012 to 2030. In other words, we're going to send roughly \$700 billion to \$1 trillion abroad to make up for 30% higher pollution here. Combine these costs with the kind of badly-needed potential revenue we would be leaving on the table by giving away 85% of the emissions permits.

I opposed the massive bail out of Wall Street last fall because it sent the wrong signal by rewarding the wrong people, the ones who got us into our current mess. Now we're contemplating handing the reins of our economy over to emissions traders on Wall Street who will deal in politically-generated emissions permits and foreign offsets. The inherent complexity of a government-regulated emissions system, especially with an unenforceable international component, sets the stage for a perpetual struggle for political handouts. And that is a recipe for corruption, not for emissions reductions.

The bottom line is this: any climate legislation that fails to meaningfully reduce the human impact on the climate or does so in an economically unsustainable manner, can't be effective. Under the House bill, American consumers and businesses would take on a heavy burden. This burden would fall at exactly the wrong time.

While consumers may not have much choice but to pay the higher energy costs that would be passed onto them if the current legislation becomes law, the actions they would take to deal with

those costs would affect us all. They would buy less and delay their purchasing decisions – exactly the opposite of what we need to lift ourselves out of our historic economic dilemma. Further, many low-income families and those on fixed incomes will have to make even tougher choices. Imagine the elderly woman who has to choose between heating her home and purchasing the food that she needs.

Another thing will happen, too. When those consumers lose their jobs as a result of cap-and-trade legislation – including those who may ultimately be encouraging you to vote for it – they will come looking for someone to blame. And that someone could be their elected officials.

I urge the Senate to take a different path. – one that marries our need to address climate change with our economic realities.

I'm not a climate change expert, but I have to believe that there are better options than the one currently on the table. I saw an article the other day in the *San Francisco Chronicle* that cited Elaine Kamarck, former advisor to Vice President Al Gore. She just released a paper on the historical politics surrounding climate change legislation in the U.S. She said, "If we can design a policy that is transparent and easy for people to understand, puts an effective price on carbon, and reimburses average Americans for all or nearly all of their increased costs, we have a chance of reversing climate change in a timely manner."

She also said that "no major policy change has ever occurred without first getting the politics right." I think she's spot on, but I'd add that it's equally important to get the economics right.

If we don't, we won't truly get to where we want to be on the climate front, the economic front, or any other front.

I thank you for your time and look forward to answering any questions you may have.