

“Energy industry supports carbon trading”

By ARIEL OLSON-SUROWIDJOJO

Oct. 10, 2007

(Written on deadline)

Combating global warming may be good for business after all, according to representatives of the energy industry who testified, Wednesday, before the House Select Committee on Energy Independence and Global Warming. But the officials also stressed that clear government guidelines and economic incentives are necessary for business to flourish in a low-carbon energy economy.

“Business and investors can only play their part in tackling climate change if the government takes decisive action to make this possible,” said Alain Grisay, CEO of F&C Investments.

Researchers have identified carbon dioxide, which is produced primarily through the use of fossil fuels, as a leading cause of global warming. CO₂ remains in the earth’s atmosphere longer than other greenhouse gases; accumulating over time, and ultimately speeding up the process of global warming, according to the House committee’s Web site.

“Time is of the essence,” said witness Neil Carson, CEO of Johnson Matthey, PLC.

Congress is expected to vote on a new energy bill this fall that will combine separate energy legislation passed by both the House and the Senate earlier this year.

The House bill requires that 15 percent of the nation’s energy come from renewable sources by 2020, while the Senate bill establishes a 35 mile per hour fuel efficiency standard for domestic vehicles. The combined package would reduce U.S. green house gas emissions by an estimated 25 percent over the next 20 years, according to the committee’s summary.

But the new legislation, which does not establish carbon emissions standards for businesses other than the auto industry, may not be enough to satisfy the concerns of business owners and investors who are trying to balance investments in new technology with sustainable business strategies.

According to Grisay, climate change presents “a textbook example of market failure,” because the cost of implementing fuel efficient business practices is too high, and there is no guarantee about the future of energy regulation.

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(Add 1)

“[Companies] are making massive technology investments in technology that will be in use for 50 years,” said witness Jonathan Lash, president of the World Resources Institute, “and they want to know what the rules will be in the future.”

According to the industry representatives, and the international businesses and investors they represent, a federal “cap and trade” policy is needed. Such a policy would establish a maximum level of carbon emissions, allowing energy efficient businesses to sell their remaining emissions rights to less efficient companies.

Proponents of carbon trading argue that it will encourage businesses to become more energy efficient by establishing a “real cost” for carbon emissions and by standardizing carbon restrictions, which currently vary from state to state.

“We now have 17 states that represent the majority of the U.S. economy that are imposing their own carbon restrictions. It’s an impossible environment for multinational companies to operate in,” Lash said.

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