

US and climate change

Rescue of the planet postponed?

President Obama's sustainability remake of the US economy must confront harsh commercial and scientific realities, argues Jon Entine

Barack Obama's initiatives face a host of complicating factors, from plummeting oil prices to the changing dynamics of climate change science.

The encouraging news is that Steven Chu, point man for his new green team, should begin moving the energy department into the 21st century. He will innovate in a host of areas given short shrift by the previous administration, including solar, wind and biofuel development, which is essential because the freefall in energy prices will not erase the prospect of eventual fossil fuel shortages.

Chu has a nuanced view of biofuels, advocating cellulosic ethanol – fuel made from corn cobs and grasses – rather than focusing only on corn and soybeans.

Chu also has a healthy respect for nuclear energy. As the technology quickly advances to address the waste problem, "the risk-benefit equation looks pretty good for nuclear", Chu has said.

It remains to be seen whether the rest of Obama's energy advisers shares Chu's pragmatism. The wild card is global warming. Chu favours putting a price on greenhouse emissions through a cap-and-trade scheme, but he also recognises the potentially devastating costs to the economy of sharply raising energy costs to reduce carbon output. It is not clear whether he might be amenable to a revenue-neutral carbon tax, which some experts believe might be more effective than trading carbon credits, because many of the world's biggest polluters have not agreed to cut emissions.

It is also not clear whether Obama's other two key energy gurus – former Harvard physicist

John Holdren, his science adviser, and Carol Browner, a former Environmental Protection Agency (EPA) administrator as energy adviser – carry similar priorities.

Browner is an apparatchik of the climate change school. She's expected to push the EPA to regulate greenhouse gases under the Clean Air Act, which the Supreme Court ruled is within its province. If the EPA succeeds, it could open the door to a slew of new energy taxes and mandates at exactly the wrong time.

Big guns

Holdren introduces a different set of concerns. He was one of the experts whom Paul Ehrlich enlisted in his famous bet against the economist Julian Simon in 1980, when environmentalists were predicting an "age of scarcity". Simon disagreed, and offered to pay \$1,000 if any selected natural resource became more expensive. Ehrlich and Holdren bet that chrome, copper, nickel, tin and tungsten would become scarcer. They were wrong on all five metals, and paid up when the bet came due in 1990.

Hopefully, Holdren's judgment has improved. He is a strong proponent of the view that global warming can be blamed mostly on human-created carbon emissions. Yet the data remains controversial. Arctic sea ice unexpectedly expanded dramatically at the end of last year to levels last seen in 1979, according to the University of Illinois's Arctic Climate Research Center. And NASA says solar variations confirm that the Pacific Decadal Oscillation had shifted to its cool phase as predicted by past climate changes, which typically leads to several decades of cooling.



Busiest in-tray in history

The fall in energy prices pumped roughly \$200bn into the US economy last quarter

These are reminders of the inexactness of atmospheric science, which is something to consider when politicians urge dramatic policy shifts costing trillions of dollars that at best affect temperature change by a few degrees over many decades.

The correlation between economic growth and energy costs is high and negative; when energy costs go up, productivity takes a nosedive. In these extraordinary times, arguably the top priority must be to ensure that a secular financial downturn doesn't turn into a worldwide structural depression. If that happens, both the economy and the environment will be losers.

Considering the strong economic headwinds, the political infighting within the new administration over Obama's stated support for a cap-and-trade scheme could be intense. Environmentalists, after finally electing one of their own, worry that the green agenda will be delayed by global warming sceptics eager to use the slow economy as an excuse to do nothing. Growth-focused economists fear that Obama's green team believes that high-cost environmental change is more important than stabilising jobs and reviving markets. The president has his hands full. ■



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