



Backgroundunder

Executive Summary

No. 1229

October 23, 1998

THE DEPARTMENT OF ENERGY'S REPORT ON THE IMPACT OF KYOTO: MORE BAD NEWS FOR AMERICANS

ALEXANDER F. ANNETT

In December 1997, the Clinton Administration agreed to the terms of the Kyoto Protocol, a global climate agreement negotiated by more than 160 countries in Kyoto, Japan, under the United Nations Framework Convention on Climate Change. The Kyoto Protocol mandates that the United States reduce its greenhouse gas emissions in the 2008 to 2012 period to levels 7 percent below 1990 levels. The United States Senate has not ratified the Kyoto convention, yet the Administration is rushing to implement its severe terms, which would force Americans to pay more for basic goods and services while sacrificing their personal freedoms to address an unproved environmental threat.

Although the fight over the existence and possible consequences of global warming rages on in the scientific community, the debate over the possible economic consequences of implementing the Kyoto Protocol should subside quickly. The knockout punch came from a recent report issued by the U.S. Department of Energy, which effectively refutes the Clinton Administration's claim that the Kyoto Protocol will have few, if any, negative consequences for the U.S. economy. To the contrary, the report estimates that, in 2010:

- Gasoline prices would likely increase about 66 cents per gallon, from an anticipated baseline price of \$1.25 without the Protocol's restrictions to \$1.91 a gallon; and
- Electricity would cost 86.4 percent more than it would otherwise.

The study by the Energy Information Administration, *Impacts of the Kyoto Protocol on U.S. Energy Markets and Economic Activity*, analyzes in depth the effects of the Kyoto Protocol on energy prices and the overall U.S. economy for 2008 to 2012. It states that:

[T]he introduction of such reduction [7 percent below 1990 levels] would affect both consumers and businesses. Households would be faced with higher prices for energy and the need to adjust spending patterns. Nominal energy expenditures would rise, taking a larger share of

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the family budget for goods and service consumption and leaving less for savings. Higher prices for energy would cause consumers to try to reduce spending not only on energy, but on other goods as well. Thus, changes in energy prices would tend to disrupt both savings and spending streams. Energy services also represent a key input in the production of goods and services. As energy prices increase, the costs of production rise, placing upward pressure on the nominal prices of all intermediate goods and final goods and services in the economy, with widespread impacts on spending across many markets.

The Energy Department study clearly contradicts an analysis by the White House Council of Economic Advisors in a July 1998 report outlining Kyoto's potential economic impact. In *The Kyoto Protocol and the President's Policies to Address Climate Change*, the CEA estimates that gasoline will increase to \$1.31 a gallon in 2010 and that electricity will increase by about 3.5 percent to 5.1 percent.

The Department of Energy study more closely mirrors the conclusions of a 1998 study conducted by a nationally recognized econometric firm, WEFA, Inc., which concludes that the consequences of the Kyoto Protocol would be severe. According to WEFA, meeting the terms of the Kyoto Protocol would nearly double the cost of energy and electricity prices, raise gasoline by about 65 cents per gallon, cost 2.4 million U.S. jobs, harm America's competitiveness, reduce state tax revenues by almost \$100 billion, and reduce family income dramatically.

Both studies show that restrictions on energy use or production will have drastic consequences

for Americans, from affecting what they feed their families and how they heat their homes to determining what cars they will drive. In addition, these restrictions will affect economic output. According to the Energy report, for instance, if the terms of the Kyoto Protocol are implemented, America's gross domestic product (GDP) in 2010 will decline by about \$397 billion—far more than the Administration's estimates of \$1 billion to \$5 billion.

Now that the Clinton Administration has received the studies on the economic consequences of the Kyoto Protocol from the Department of Energy and WEFA, it would be foolish to

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How the Department of Energy Expects the Kyoto Protocol to Affect Energy Prices in 2010

	Baseline: Without Kyoto (Carbon Emissions at 33% Above 1990 Levels)	Under Kyoto Protocol (Carbon Emissions at 7% Below 1990 levels)
Carbon Permit Prices	none	\$348 per ton
Electricity Prices	5.9 cents/kWh	11 cents per kWh (86.4% over baseline)
Gasoline	\$1.25 per gallon	\$1.91 per gallon (52.8% over baseline)
Fuel Oil	\$1.084 per gallon	\$1.90 per gallon (76% over baseline)
Natural Gas	\$3.87 per thousand cu. ft. (mcf)	\$9.57 per mcf (147% over baseline)

Note: All prices are in 1996 dollars. The baseline represents the EIA's Annual Energy Outlook 1998 projection of energy-related carbon emissions by 2010, without any enforced reductions. U.S. Department of Energy, *Impacts of the Kyoto Protocol on U.S. Energy Markets*, pp. xii-xiii.

Sources: U.S. Department of Energy, Energy Information Administration, *Impacts of the Kyoto Protocol on U.S. Energy Market and the U.S. Economy*, October 1998; "What Does the Kyoto Protocol Mean to U.S. Energy Markets and the U.S. Economy?" A Briefing Paper on the Energy Information Administration's Analysis and Report Prepared for the Committee on Science, U.S. House of Representatives, 105th Cong., October 1998; and EIA testimony, U.S. House of Representatives Committee on Science, "Hearing Charter for Hearing on the Road from Kyoto—Part 4: The Kyoto Protocol's Impacts on U.S. Energy Markets and Economic Activity," October 9, 1998, p. 1.

move forward with implementation of the treaty. The Kyoto Protocol could impose hidden costs on every American that amount to at least an additional 14.5 percent income tax. Until can be proved that global warming in fact occurs and is caused directly by human activity, the United States should not ratify any environmental treaty carrying such drastic consequences.

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Background

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THE DEPARTMENT OF ENERGY'S REPORT ON THE IMPACT OF KYOTO: MORE BAD NEWS FOR AMERICANS

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Although the fight over the existence and possible consequences of global warming rages on within the scientific community,¹ the disagreements over the possible economic consequences of the Kyoto Protocol² of the United Nations Framework Convention on Climate Change should end. The knockout punch came from a report issued in October by the U.S. Department of Energy, which effectively refutes the Clinton Administration's claim that the Kyoto Protocol will have few, if any, negative consequences for the U.S. economy. As the Energy Department report notes, "Because energy-related carbon emissions constitute such a large percentage of the Nation's total greenhouse gas emissions, any action or policy to reduce emissions will have significant implications for the U.S. energy market."³ For example, the report estimates

that the price of gasoline could rise by as much as 66 cents per gallon by 2010.

The study by the Energy Information Administration, *Impacts of the Kyoto Protocol on U.S. Energy Markets and Economic Activity*, analyzes the effects of the Kyoto Protocol on the U.S. economy for 2008 to 2012.⁴ According to the report, "That is when this country is supposed to reach an average level of net greenhouse gas emissions 7 percent lower than they were in 1990."⁵ The Energy Department

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1. The theory of global warming rests on the claim that certain gases released by human activity enable the atmosphere to retain some of the Sun's heat instead of reflecting it back into space. Proponents of the theory fear that human-released gases enhance Earth's temperature and cause undesirable changes in weather patterns.
 2. The Kyoto Protocol was negotiated by more than 160 nations in December 1997 in Kyoto, Japan. If ratified by the Senate, it would commit the United States to capping greenhouse gas emissions at 7 percent below 1990 levels from 2008 to 2012. It targets six categories of gases, including carbon dioxide, methane, and nitrous oxide.
 3. U.S. Department of Energy, Energy Information Administration, *Impacts of the Kyoto Protocol on U.S. Energy Markets and the U.S. Economy* (Washington, D.C.: U.S. Government Printing Office, October 1998), p. xii.
 4. *Ibid.*, p. iii. The 2008–2012 period was specified by the House Committee on Science when it requested the study.

study clearly contradicts a July 1998 report issued by the White House Council of Economic Advisers, *The Kyoto Protocol and the President's Policies to Address Climate Change*, which purported to analyze Kyoto's economic impact.⁶ But it also confirms the conclusion of an earlier study by a nationally recognized econometric firm, WEFA, Inc., which reports that the "consequences [of the Kyoto Protocol] would be severe."⁷

The Energy Department study highlights an obvious fact: Since energy from oil, natural gas, and coal is a basic part of America's industrial output and quality of life, restrictions on energy would have drastic consequences—affecting nearly everything from what Americans feed their families and how they heat their homes to what cars they drive. For example, the Energy Department estimates that under Kyoto's terms, gas prices would run around \$1.91 per gallon by 2010,⁸ an increase of 52.8 percent over the baseline case of \$1.25 per gallon in 2010,⁹ compared with the CEA's estimate of \$1.31 per gallon. And in 2010, the Energy Department estimates that the nation's gross domestic product (GDP) would decline by about \$397 billion,¹⁰ compared with CEA estimates of between \$1 billion and \$5 billion.

Thus, the Clinton Administration now has in hand assessments of the economic consequences of the Kyoto Protocol that are in stark contrast to the study conducted by its own Council of Eco-

nomics Advisers. The Administration's rush to implement the requirements of the Kyoto Protocol will force every American to sacrifice personal and economic freedoms in order to protect the world from an unproved environmental threat.

KYOTO PROTOCOL'S UNCERTAIN BASIS BUT CERTAIN REPERCUSSIONS

The terms of the treaty to which the Clinton Administration agreed in December 1997 would require the United States to reduce its greenhouse gas emissions between 2008 and 2012 to levels that are 7 percent below what they were in 1990. As the Department of Energy recognized in its recent report:

[T]he introduction of such reduction would affect both consumers and businesses. Households would be faced with higher prices for energy and the need to adjust spending patterns. Nominal energy expenditures would rise, taking a larger share of the family budget for goods and service consumption and leaving less for savings. Higher prices for energy would cause consumers to try to reduce spending not only on energy, but on other goods as well. Thus, changes in energy prices would tend to disrupt both savings and spending streams. Energy services also represent a key input in the production of

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5. U.S. Department of Energy, Energy Information Administration, "What Does the Kyoto Protocol Mean to U.S. Energy Markets and the U.S. Economy?" A Briefing Paper on the Energy Information Administration's Analysis and Report Prepared for the Committee on Science, U.S. House of Representatives, 105th Cong., October 1998, p. 3.
 6. White House Council of Economic Advisers, *The Kyoto Protocol and the President's Policies to Address Climate Change*, July 1998. Available on the Internet at www.whitehouse.gov/WH/New/html/kyoto.pdf.
 7. WEFA, Inc., *Global Warming: The High Cost of The Kyoto Protocol, National and State Impacts, 1998* (Eddystone, Pa.: WEFA, Inc., 1998), p. 1. WEFA, Inc., formerly Wharton Econometric Forecasting Associates, Inc., employs over 200 economists worldwide. Its analyses and economic models are used by *Fortune* 500 companies, government agencies, world monetary authorities, and public policy organizations.
 8. U.S. Department of Energy, "What Does the Kyoto Protocol Mean to U.S. Energy Markets?" p. 18.
 9. The baseline case is 33 percent above 1990 levels. This represents the EIA's Annual Energy Outlook 1998 projection of energy-related carbon emissions by 2010, without any enforced reductions, and is presented as a baseline for comparisons of the energy market impacts in the reduction cases. U.S. Department of Energy, *Impacts of the Kyoto Protocol on U.S. Energy Markets*, pp. xii-xiii.
 10. *Ibid.*

goods and services. As energy prices increase, the costs of production rise, placing upward pressure on the nominal prices of all intermediate goods and final goods and services in the economy, with widespread impacts on spending across many markets.¹¹

Despite this threat of economic decline and the scientific uncertainty regarding the existence of global warming, let alone whether it is caused by man-made greenhouse gas emissions, the Clinton Administration is pushing forward with its efforts to implement the Kyoto Protocol.¹² Consider:

1. There is no scientific consensus that the Earth is warming. As the Energy Department admits:

To date, it has been difficult to note such an increase [in the average temperature of the Earth's surface] conclusively because of the differences in temperature around the Earth and throughout the year, and because of the difficulty of distinguishing permanent temperature changes from the normal fluctuations of the Earth's climate. In addition, there is not universal agreement among scientists and climatologists on the potential impacts of an increase in the average temperature of the Earth, although it has been hypothesized that it could lead to a variety of changes in the global climate, sea level, agricultural patterns,

and ecosystems that could be, on net, detrimental.¹³

Proponents of global warming cite an increase in global temperature of 0.6 degrees Celsius since 1850 as evidence that man-made carbon dioxide emissions are heating the planet's atmosphere to a dangerous level.¹⁴ Yet an examination of climate history shows that this warming trend may be the result of natural climate changes. Since the end of the Ice Age almost 11,000 years ago, six other major warming and cooling trends have occurred. Three produced temperatures warmer than the present average of 59 degrees Fahrenheit (15 degrees Celsius) and three produced cooler temperatures.¹⁵ The 0.6 degrees Celsius warming that has occurred over the past 148 years is likely to be a natural phenomenon that occurs over long periods of time.

2. There is no scientific consensus that global warming results from man-made greenhouse gas emissions. For example, in its report, the Department of Energy states:

The most recent report of the Intergovernmental Panel on Climate Change (IPCC) concluded that: "Our ability to quantify the human influence on global climate is currently limited because...there are uncertainties in key factors.... Nevertheless, the balance of evidence suggests that there is a discernible human influence on global climate."¹⁶

11. *Ibid.*, p. 127.

12. See Angela Antonelli and Brett D. Schaefer, "From Fear to Folly: Why the Kyoto Agreement Is a 'Very Bad Deal'," Heritage Foundation *Backgrounders Update* No. 289, January 7, 1998, and Angela Antonelli, Brett D. Schaefer, and Alex Annett, "The Road to Kyoto: How the Global Climate Treaty Fosters Economic Impoverishment and Endangers U.S. Sovereignty," Heritage Foundation *Backgrounders* No. 1143, October 6, 1997.

13. U.S. Department of Energy, *Impacts of the Kyoto Protocol on U.S. Energy Markets*, p. 1.

14. National Center for Public Policy Research, "Global Warming Is a Natural Phenomenon," *Environment No. 39: Talking Points on the Economy*, May 1998.

15. *Ibid.*

16. U.S. Department of Energy, *Impacts of the Kyoto Protocol on U.S. Energy Markets*, p. 1; emphasis added.

Proponents of the global warming theory blame the 0.6 degrees Celsius increase in temperature over the past 148 years on the emission of man-made greenhouse gases. If that were the case, the rise in temperature should have occurred after 1945, the period during which the largest buildup of man-made greenhouse gases occurred. However, almost two-thirds of the global temperature variance over the past 100 years actually occurred before 1945.¹⁷ In addition, temperature data collected by NASA satellites—the most accurate measurements in the world—show a slight cooling trend of 0.01 degrees Celsius¹⁸ over the past 20 years, a period of rapidly increasing greenhouse gas concentrations.¹⁹ In other words, there is no conclusive scientific evidence that man-made greenhouse gas emissions result in the warming of the Earth.

3. There is no evidence that the potential negative effects of global warming outweigh its benefits.

Proponents of the global warming theory argue that the increase of greenhouse gases like carbon dioxide will result in devastating floods and global famine. However, carbon dioxide is an essential component of life. Plants absorb it; and as they grow and reproduce, they give off oxygen, which is essential for human existence. Nearly 800 scientific studies conducted worldwide suggest that plant productivity in a carbon dioxide-enhanced world would improve, on average, 32 percent for cereal grains, corn, potatoes, lettuce, and many other

crops.²⁰ Forests would benefit as well from a carbon dioxide-rich environment: Trees would put on more mass, so fewer would have to be cut to meet the demand for lumber. And as plants increased in size and number, so would animals: Increased vegetation would improve the numbers of herbivores and the numbers of carnivores which feed on them, which means more food for human consumption.²¹

THE KYOTO PROTOCOL'S ECONOMIC CONSEQUENCES

Unlike the scientific community, which remains divided on the issue of global warming, a consensus has developed within the economic community on the likely effects on the U.S. economy if the Kyoto Protocol is implemented. Many economists, including those at the Energy Information Administration, have noted that:

- Carbon emissions will increase by an average of 1.2 percent a year between 1996 and 2020. For 2010, this represents a 34 percent increase over 1990; for 2020, it represents an increase of 45.3 percent over 1990 levels.²² (Under the Kyoto Protocol, the United States would have to reduce its greenhouse gas emissions by 34 percent below the level otherwise predicted for 2010.)
- Because energy-related carbon emissions constitute such a large percentage of the nation's total greenhouse gas emissions, any action or

17. William F O'Keefe, chairman, Global Climate Coalition, quoted in "Administration's Climate Policies Could Kill 5,000,000 Jobs Annually," *Business Wire*, March 25, 1997.

18. This number takes into consideration the effects of orbital decay resulting from the loss of altitude of the satellites. This changes one of the angles from which the satellites measure the microwaves used to determine the Earth's temperature.

19. Roy Spencer and John Christy, "Precise Monitoring of Global Temperature Trends from Satellites," *Science*, Vol. 247 (1990), pp. 1558–1562.

20. "New Study Lauds Benefits of Atmospheric CO₂," *Environmental News*, February 1998, p. 9, citing study by National Center for Policy Analysis, Dallas, Texas.

21. *Ibid.*

22. "Hearing Charter for Hearing on *The Road from Kyoto—Part 4: The Kyoto Protocol's Impact on U.S. Energy Markets and Economic Activity*," Committee on Science, U.S. House of Representatives, October 9, 1998, p. 1.

policy to reduce emissions will have significant implications for the U.S. energy market.²³

As the Department of Energy reports, “The direct impact of higher prices is a reduction in energy demand, particularly for coal with its high carbon content. The consequences are reductions in output from the mining sector and from all services connected to the production and distribution of coal.”²⁴ In addition:

Higher energy prices disproportionately increase the cost of production for energy-intensive industries. As energy price increases are passed along by industry though higher prices for their products, consumers will tend to substitute away from the relatively expensive energy-intensive products to less energy-intensive products and services. The consequences are reductions in gross output from the energy-intensive sectors of the economy, principally, chemicals and allied products; stone, clay, glass, and concrete; and primary metals....²⁵

Finally, because the carbon emissions restrictions are placed only on Annex I [developed] countries, industries with high levels of imports, particularly those with imports from non-Annex I [developing] countries, will see larger reductions in domestic output than industries with low import penetration. If imports are already competitive, increasing the cost of production for the domestic industry and not for non-Annex I importers will tend to increase imports, leading to a drop in

domestic output. For this reason, output from manufacturing sectors such as leather and leather products, electronic and other electrical equipment, and miscellaneous manufacturing will fall by more than the output for the manufacturing sector as a whole.²⁶

Devastating Economic Consequences

Reducing the emission of greenhouse gases to 7 percent below 1990 levels by the end of the next decade would cause a sharp rise in energy prices. According to WEFA, meeting the terms of the Kyoto Protocol would nearly double the cost of energy and electricity prices, raise gasoline by about 65 cents per gallon, cost 2.4 million U.S. jobs, harm America’s competitiveness, reduce state tax revenues by almost \$100 billion, and reduce family income dramatically.²⁷ As the Energy Department report shows, with an increase in the price of energy, all goods and services would cost more to produce. People would buy fewer of those products. To cope with smaller product demand, total output at U.S. industries and businesses would fall, which in turn would result in millions of lost jobs and a substantial decline in the average standard of living.

Table 1 outlines, in detail, the severe impact that the Kyoto Protocol would have on energy prices, as analyzed by the Energy Department, WEFA, and the White House Council of Economic Advisers. As a consequence, implementing the Protocol also would have a devastating effect on America’s economic output. For example, the projected decline in GDP in 2010 would be \$397 billion based on the Department of Energy’s estimates,²⁸

23. U.S. Department of Energy, *Impacts of the Kyoto Protocol on U.S. Energy Markets*, p. xii.

24. *Ibid.*, p. 135.

25. *Ibid.*

26. *Ibid.* Annex I countries are Australia, Austria, Belgium, Bulgaria, Canada, Croatia, the Czech Republic, Denmark, Estonia, the European Community, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, the Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, the United Kingdom of Great Britain and Northern Ireland, and the United States of America. Turkey and Belarus are Annex I nations that have not ratified the Convention.

27. WEFA, Inc., *Global Warming: The High Cost of the Kyoto Protocol, National and State Impacts, 1998*, p. 1.

Table 1

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Estimates of Increases in the Average Cost of Energy Under the Kyoto Protocol

	U.S. Department of Energy	WEFA, Inc.	White House
Carbon Permit Prices	\$348 per ton in 2010.* Increased energy costs for average households: \$1,740 annually.***	\$265 per ton in 2010.**	\$14 to \$23 per ton in 2010.*** Increased energy costs for average households: \$70 to \$110 annually.***
Electricity Prices	11 cents per kWh in 2010.* Increase: 86.4% over baseline of 5.9 cents per kWh.*	9.8 cents per kWh in 2010.**	6.1 cents to 6.2 cents per kWh in 2010.**** Increase: 3.4% to 5.1%.***
Gasoline	\$1.91 per gallon in 2010.* Increase: 52.8% over baseline of \$1.25 per gallon.*	\$1.83 per gallon in 2010.**	\$1.29 to \$1.31 per gallon in 2010.**** Increase: 3.4 cents to 5.5 cents per gallon, or 3% to 4%.***
Fuel Oil	\$1.90 per gallon in 2010. Increase: 76% over baseline of \$1.084 per gallon.***	\$1.89 per gallon in 2010.**	\$1.14 to \$1.17 per gallon in 2010.**** Increase: 4.8 to 7.8 cents per gallon.***
Natural Gas	\$9.57 per thousand cubic feet (mcf) in 2010. Increase: 147% over baseline of \$3.87 per mcf.***	\$7.61 per mcf in 2010.**	\$4.00 to \$4.13 per mcf in 2010.**** Increase in cost: 5.3% to 8.7%.***

Note: All prices are in 1996 dollars. The "baseline" case assumes carbon emissions in 2010 will be 33 percent above 1990 levels.

This represents the EIA's Annual Energy Outlook 1998 projection of energy-related carbon emissions by 2010, without any enforced reductions. U.S. Department of Energy, *Impacts of the Kyoto Protocol on U.S. Energy Markets*, pp. xii-xiii.

Sources: * U.S. Department of Energy, Energy Information Administration, "What Does the Kyoto Protocol Mean to U.S. Energy Markets and the U.S. Economy?" A Briefing Paper on the Energy Information Administration's Analysis and Report Prepared for the Committee on Science, U.S. House of Representatives, 105th Cong., October 1998, pp. 4, 18.

** U.S. Department of Energy, Energy Information Administration, *Impacts of the Kyoto Protocol on U.S. Energy Markets and the U.S. Economy*, October 1998, pp. 195, 199, 215 (using numbers from WEFA, *Global Warming: The High Cost of the Kyoto Protocol, National and State Impacts*, 1998).

*** U.S. House of Representatives, Committee on Science, "Hearing Charter for the Road from Kyoto—Part 4: The Kyoto Protocol's Impact on U.S. Energy Markets and Economic Activity," October 9, 1998, p. 1.

**** Council of Economic Advisers, "The Kyoto Protocol and the President's Policies to Address Climate Change," *Administration Economic Analysis*, July 1998. Available on the Internet at www.whitehouse.gov/WH/New/html/kyoto.pdf.

\$301 billion based on WEFA estimates,²⁹ and \$1 billion to \$5 billion based on Administration estimates.³⁰ Unfortunately, the Clinton Administration significantly underestimates the impact that the Kyoto Protocol would have on the U.S. economy.

What the Kyoto Protocol Means for American Families

The cost to Americans of implementing the Kyoto energy restrictions will go well beyond any tax increase that Washington policymakers have contemplated. By 2020, according to WEFA's 1998 study, under the Kyoto restrictions on U.S. emissions:³¹

- **Grocery bills** will be 9 percent higher;
- **Medical bills** will be 11 percent higher; and
- **Housing costs** will be 21 percent higher.

For example, those who spend \$5,200 a year (or \$100 a week) to put food on their tables today would see their grocery bills increase to \$5,668. Their heating bills, automobile fuel costs, housing costs, and other expenses would rise as well.

A November 1997 Heritage Foundation analysis of the impact of stabilizing greenhouse gases at 1990 levels by 2010 (instead of meeting the Kyoto terms of 7 percent below 1990 levels) shows that the spike in the price of energy would reduce average household income by an average of \$1,620 per year.³² Thus, even with conservative estimates, between 2001 and 2020, the average household would be forced to make do with about \$30,000 less in today's dollars. If this financial cost were

imposed as an income tax, American families would face an average income tax increase of 14.5 percent.³³

If Heritage used the projections in the recent Department of Energy report instead of WEFA's conservative numbers, the purchasing power of families in 2020 would be even less. This means that nearly every American would experience a lower standard of living.

WHAT CONGRESS SHOULD DO

The Senate has not yet ratified the Kyoto Protocol because of the greater restrictions it would place on America's economy, industries, and families. But the Administration is moving forward with implementation of the terms of the Protocol. To protect Americans from an immediate decline in their standard of living and from an increase in the cost of food, goods, and services, Congress should:

1. **Reaffirm and enhance the principle outlined in Senate Resolution 98.** Senate Resolution 98 expressed the unanimous sense of Congress in disapproving the terms of the Kyoto Protocol. The United States should not sign any global climate change treaty like the Kyoto Protocol that has mandatory emission reduction targets yet fails to hold all signatories to those same standards and will result in serious economic harm to the U.S. economy.
2. **Prohibit bureaucratic implementation of the unratified Kyoto Protocol.** Appropriations committees should remove any budget request

28. U.S. Department of Energy, "What Does the Kyoto Protocol Mean to U.S. Energy Markets?" p. 18.

29. U.S. Department of Energy, *Impacts of the Kyoto Protocol on U.S. Energy Markets*, p. 215.

30. Committee on Science, "Hearing Charter for Hearing on *The Road from Kyoto—Part 4*."

31. WEFA, Inc., *Global Warming: The High Cost of the Kyoto Protocol, National and State Impacts*, p. 4.

32. See William W. Beach, "The Immiseration of the Masses: How the Proposed Global Warming Treaty Will Affect American Consumers," Heritage Foundation *FYI* No. 165, November 21, 1997, p. 2. Based on WEFA estimates in WEFA, Inc., *Global Warming: The Economic Cost of Early Action, National Impacts* (Eddystone, Pa.: WEFA, Inc., 1997).

33. Heritage calculations based on a joint income tax return of two adult wage and salary employees whose combined income is \$65,900. Their effective income tax rate is 17 percent, which means they paid \$11,200 in income taxes in 1996. The decrease in income from the energy tax averages \$1,620 per year. When added to their 1996 income taxes, this amount raises their liability to \$12,820—an increase of 14.5 percent. See Beach, "The Immiseration of the Masses," p. 2.

that seeks to implement the terms of the Kyoto Protocol without Senate ratification of the treaty.

- 3. Hold the Administration accountable by conducting public hearings on the scientific basis for the theory of global warming, as well as the economic and political repercussions of implementing the Kyoto Protocol without clear scientific consensus.** Congress should continue to hold well-publicized hearings to shed light on the scientific assumptions behind the global warming theory and the economic ramifications of its implementation. The Administration should be made to explain to the American people its rationale for moving forward with the Protocol in light of the overwhelming consensus on the costly impact of the treaty on the U.S. economy and the *lack* of consensus on the theory, costs, or effects of global warming.

CONCLUSION

Now that the Administration has reports from the Department of Energy and WEFA on the economic consequences of the Kyoto Protocol which are in stark contrast to the study conducted by its own Council of Economic Advisers, it would be foolish to move forward with implementation of the treaty. The Kyoto Protocol could impose hidden costs on Americans that amount to at least an additional 14.5 percent income tax. Until it can be proved that global warming in fact occurs and is caused directly by human activity, the United States should not ratify any environmental treaty carrying such drastic consequences.

—*Alexander F. Annett is a Research Assistant in Domestic Policy Studies at The Heritage Foundation.*