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Impact of the Waxman–Markey Climate Change Legislation on Indiana

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On June 26, a 1,427-page climate change bill introduced by Representatives Henry Waxman (D–CA) and Edward Markey (D–MA) passed the House by a narrow margin. The bill, also known as Waxman–Markey, includes a number of alarming provisions, chief among them a cap-and-trade program that would attempt to curb global warming by imposing strict upper limits on the emission of six greenhouse gases, with the primary emphasis on carbon dioxide (CO_2). The mechanism for capping these emissions requires emitters to acquire federally created permits (or "allowances") for each ton of greenhouse gas emitted.

Because these allowances carry a price—and because 85 percent of the United States' energy needs come from carbon-emitting fossil fuels—Waxman–Markey is best described as a significant tax on energy use. Since everything Americans use and produce requires energy, the tax hits U.S. pocketbooks again and again. The Heritage Foundation's Center for Data Analysis forecasts severe consequences, including skyrocketing energy costs, millions of jobs lost, and falling household income and economic activity—all for negligible changes in the global temperature.[1]

Workers and families in Indiana may be wondering how cap-and-trade legislation would affect their income, their jobs, and the cost of energy. Implementing Waxman–Markey would put a chokehold on Indiana's economic potential, reducing gross state product by $9.49 billion in 2035.

The Waxman–Markey Effect

For the state of Indiana, over the 2012–2035 timeframe, on average the Waxman–Markey bill would:

- Lower gross state product by **$5,639 million,**
- Reduce personal income by **$2,107 million,**
- Destroy **29,154 jobs,**
- Raise electricity prices by **$507.92 per household,**
- Raise gasoline prices by **$0.7 per gallon.**

Source: Heritage Foundation calculations based on the IHS/Global Insight U.S. Macroeconomic and Energy models.

Table 1 • WM 2585-IN heritage.org

Consumers would be hit hard. Between 2012 (when the restrictions first apply) and 2035 (the last year of this analysis), the prices of electricity and gasoline will rise sharply when compared to prices in a world without cap and trade. By 2035, Americans living in the state of Indiana will see their electricity prices rise by $984.68 and their gasoline prices rise by $1.45 per gallon solely because of Waxman–Markey.

This paper, in its entirety, can be found at:
www.heritage.org/Research/EnergyandEnvironment/wm2585-KS.cfm

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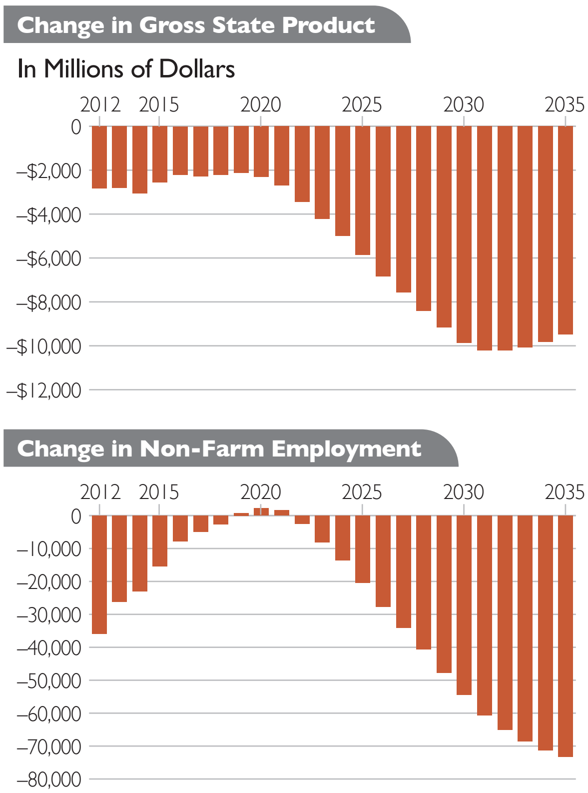
Economic Indicators in Indiana

Changes in Indiana's economy due to the Waxman–Markey climate change bill. Figures are adjusted for inflation.

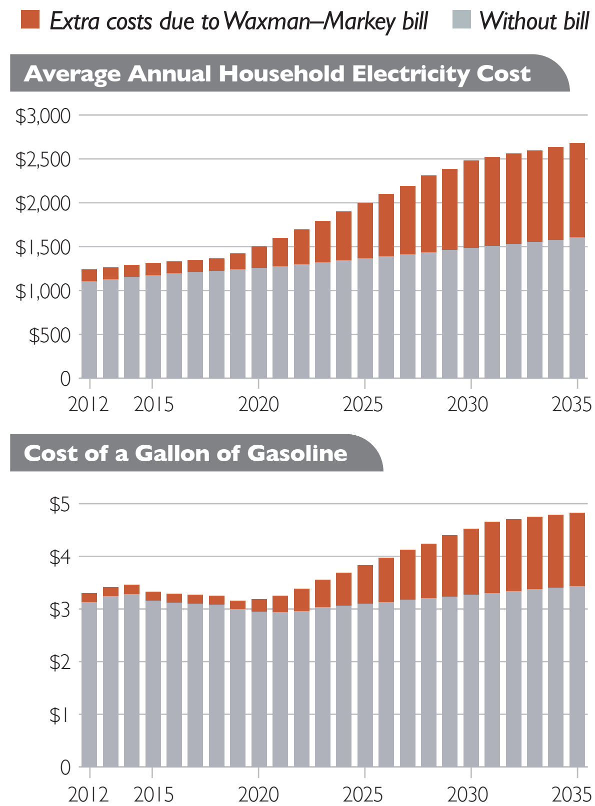


Source: Heritage Foundation calculations using the IHS/Global Insight U.S. Macroeconomic model.

Chart 1 • WM 2585-IN heritage.org

Utility Costs in Indiana

Costs for electricity and gasoline in Indiana with and without the Waxman–Markey climate change bill. Figures are adjusted for inflation.



Source: Heritage Foundation calculations using the IHS/Global Insight U.S. Macroeconomic model.

Chart 2 • WM 2585-IN heritage.org

As the economy adjusts to shrinking gross domestic product (GDP) and rising energy prices, employment will take a big hit in Indiana. Beginning in 2012, job losses will be 35,846 higher than without a cap-and-trade bill in place. And the number of jobs lost will only go up, increasing to 73,214 by 2035.

Contrary to the claims of an economic boost from green investment and green job creation and "postage stamp" costs, the Waxman–Markey climate change legislation does the complete opposite by increasing energy prices—thereby causing a considerable reduction in the rate of economic growth, the amount of GDP, household incomes, and employment.

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1. Chip Knappenberger, "Climate Impacts of Waxman–Markey (the IPCC-Based Arithmetic of No Gain)," MasterResource, May 6, 2009, at *http://masterresource.org/?p=2355* (August 3, 2009).

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