

WebMemo



Published by The Heritage Foundation

No. 2585-MN
August 19, 2009

Impact of the Waxman–Markey Climate Change Legislation on Minnesota

*David W. Kreutzer, Ph.D., Karen A. Campbell, Ph.D.,
William W. Beach, Ben Lieberman, and Nicolas D. Loris*

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 (CO₂). 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 Minnesota 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 Minnesota’s economic potential, reducing gross state product by \$9.82 billion in 2035.

The Waxman–Markey Effect

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

- Lower gross state product by **\$5,834 million**,
- Reduce personal income by **\$2,173 million**,
- Destroy **22,963 jobs**,
- Raise electricity prices by **\$485.23 per household**,
- Raise gasoline prices by **\$0.67 per gallon**.

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

Table 1 • WM 2585-MN  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 Minnesota will see their electricity prices rise by \$940.70 and their gasoline prices rise by \$1.38 per gallon solely because of Waxman–Markey.

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

Produced by the Center for Data Analysis

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

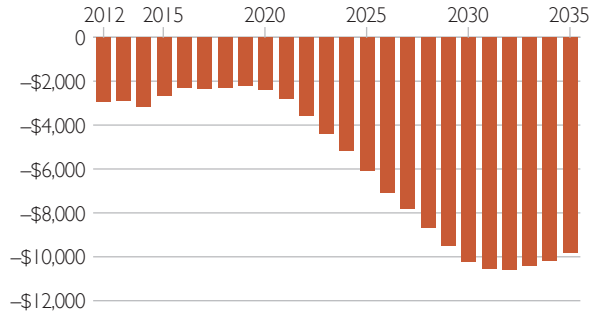
Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Economic Indicators in Minnesota

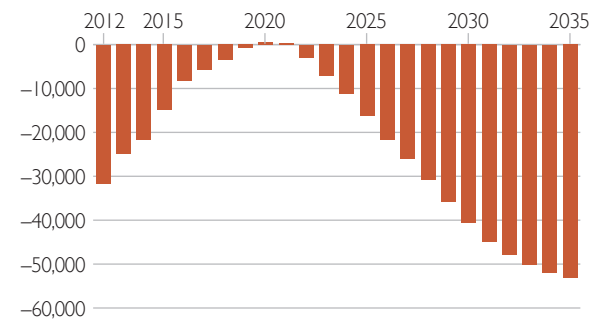
Changes in Minnesota’s economy due to the Waxman–Markey climate change bill. Figures are adjusted for inflation.

Change in Gross State Product

In Millions of Dollars



Change in Non-Farm Employment



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

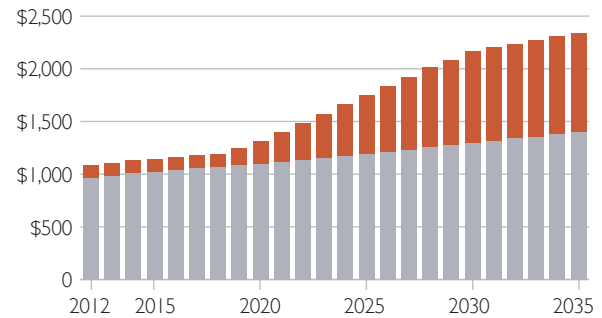
Chart 1 • WM 2585-MN heritage.org

Utility Costs in Minnesota

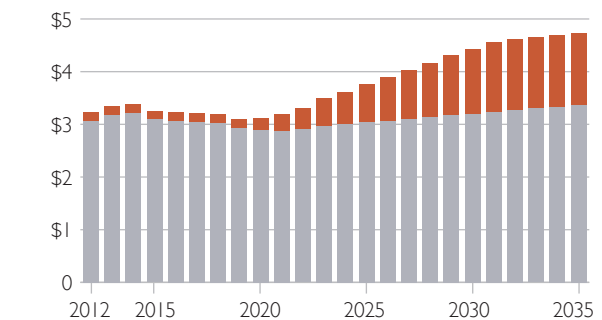
Costs for electricity and gasoline in Minnesota with and without the Waxman–Markey climate change bill. Figures are adjusted for inflation.

■ Extra costs due to Waxman–Markey bill ■ Without bill

Average Annual Household Electricity Cost



Cost of a Gallon of Gasoline



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

Chart 2 • WM 2585-MN heritage.org

As the economy adjusts to shrinking gross domestic product (GDP) and rising energy prices, employment will take a big hit in Minnesota. Beginning in 2012, job losses will be 31,646 higher than without a cap-and-trade bill in place. And the number of jobs lost will only go up, increasing to 53,081 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.

—David W. Kreutzer, Ph.D., is Senior Policy Analyst for Energy Economics and Climate Change, Karen A. Campbell, Ph.D., is Policy Analyst in Macroeconomics, William W. Beach is Director of the Center for Data Analysis, Ben Lieberman is Senior Policy Analyst in Energy and the Environment, and Nicolas D. Loris is a Research Assistant in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

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).