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Getting in step on global warming

Energy giants back program to 'cap and trade' carbon emissions

By TOM FOWLER

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After years of loudly challenging the theory of global warming, a growing number of energy companies are saying the regulation of greenhouse gases in the U.S. is inevitable and are even lining up behind proposed legislation to do so.

Five of the country's largest electric power companies, including Exelon, Entergy and Calpine, said Wednesday they would back a bill sponsored by Democrats to create a so-called "cap and trade" system in the U.S. for gases that are blamed for global warming.

And at a carbon conference in Washington, D.C., officials with international oil giants BP and Royal Dutch Shell said the U.S. must develop a regulatory system that ties in with one now being developed in Europe and elsewhere under the Kyoto Protocol.

Even Exxon Mobil, one of the most vocal skeptics of global warming, has softened its stance. The company cut off funding to a think tank that challenged the hazards of global warming and met with environmental groups last month to discuss how it might respond to climate change, according to Reuters.

The change is driven in large part by the new Democratic majority in Congress, said Greg Spencer, president of Blue Source, a Salt Lake City, Utah-based company that helps businesses reduce greenhouse gas emissions.

But other events — such as the discovery in December that a Manhattan-size chunk of ice has broken free from an ice shelf in Canada — may also play a part.

"All of these events seem to provide some evidence of a problem that, while the magnitude of it isn't known, the probability it will have adverse effects continues to increase," Spencer said. "The question becomes if companies want to pay now to reduce emissions or do it later, when it will probably be much more expensive."

Examining opportunities

A conference scheduled for today in Houston will look at business opportunities in carbon emissions trading. The conference, sponsored by UK Trade & Investment and the Greater Houston Partnership, will include panels on the fledgling carbon emissions trading market in Europe, the evolving markets in the U.S. and Houston's possible role in them.

It is likely that any greenhouse gas regulation in the U.S. would include a "cap and trade" program that sets a limit, or cap, on the amount of emissions an industry is allowed per year, and then creates a market in which the right to emit carbon dioxide can be bought and sold.

For more than a decade a cap and trade program has been used to cut acid rain in the U.S. by reducing the amount of sulfur dioxide produced by power plants. The program assigned a cap on emissions for the entire power industry and then created a trading system for allowances that let companies decide what was more cost-effective — reducing emissions or buying the right to pollute.

Program became too costly

Over time, the number of available allowances was dropped. This made the cost of buying emission allowances more than the cost of installing cleaner technologies at the power plants.

The acid rain program has been called a success by many in that it reduced sulfur dioxide emissions by more than 30 percent from 1990 levels, according to EPA data, and did it in a way that was predictable and cost-effective to businesses.

If a cap and trade program is used in the U.S., its effectiveness may depend on a number of details, such as how emissions credits are certified for trading and which industries are included. For example, the system used to certify emissions credits in the first phase of the Kyoto Protocol in Europe was blamed for creating bottlenecks that led to few real emissions reductions there.

Spencer said U.S. environmental regulations typically begin with a series of inconsistent efforts at the state level. California, New Mexico and eight Northeast states are in the process of developing carbon reduction efforts, including markets to trade carbon emission credits as soon as 2009. Those creating a national market in the United States can copy what has worked elsewhere.

"This is a market that has existed for many years, with a run rate of about $30 billion in Europe," Spencer said. "It's not like buying a covered wagon, but a very capable hybrid car."

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