Statement of Richard Trumka
Secretary-Treasurer of the AFL-CIO
To the Foreign Relations Committee's
Subcommittee on International Economic Policy,
Export and Trade Promotion
On United Nations Global Climate Change Negotiations
June 19, 1997

Thank you Mr. Chairman for this opportunity to testify on the ongoing multilateral negotiations regarding global climate change. This issue is of great importance to the AFL-CIO because the course of these negotiations can have profound effects on the job security and incomes of American workers and the welfare and lifestyle of American families.

AFL-CIO members and their families are concerned about the environment. We share with all Americans a deep desire to leave our children and grandchildren a safe and secure environment, and we are ready to work with you and with the Administration to ensure that these negotiations succeed in meeting those goals.

The Administration is now engaged in an effort to negotiate a treaty to mitigate the effects of carbon dioxide emissions on the earth's climate. At the February 1997 Executive Council meeting, the AFL-CIO issued a statement which points out that a treaty will not be effective if it excludes China, India, Mexico, and other developing nations.

The Executive Council Statement says, "The exclusion of new commitments by developing nations under the Berlin Mandate will create a powerful incentive for transnational corporations to export jobs, capital, and pollution, and will do little or nothing to stabilize atmospheric concentrations of carbon. Such an uneven playing field will cause the loss of high-paying U.S. jobs in the mining, manufacturing, transport and other sectors."

Although much remains to be decided before December, we are concerned that the United States has already agreed to a very dangerous principle that now governs the rest of the negotiations. At UN talks in Berlin in 1995, the U.S. agreed to what's become known as the Berlin Mandate. It says that only Annex I countries would have to meet legally binding targets for their greenhouse gas emissions. Annex I countries include the U.S. and Canada, western Europe, Australia, Japan, Russia, and a few others. Other countries, from impoverished developing nations like much of Africa to the fast-growing economies of southeast Asia to China and Mexico, would have no binding limits on their emissions.

With rapid industrialization, the countries with no requirements will soon be responsible for well over half the planet's greenhouse gas emissions. And with no emissions reductions to meet, these countries will attract foreign businesses like a magnet.

While no firm decisions have been made regarding domestic reduction policies, all of the mechanisms under discussion would have the same impact - a sharp rise in energy prices resulting in significant economic dislocation.

For example, a carbon tax - or carbon permit price - of $100 per ton of carbon is equivalent to a price increase of 26 cents per gallon of gasoline, $1.50 per thousand cubic feet of natural gas, $52 per ton of coal, and 2 cents per kilowatt hour of electricity. These are the minimum levels of energy price increases for a policy to stabilize U.S. carbon emissions at 1990 levels.

Several studies have been done to estimate the impact of a treaty on the economy. A range of estimates exists, but even the most conservative estimate shows a large job loss as a result of policies to reduce emissions. According to a 1992 study by the U.S. Department of Commerce, a carbon tax that would help the U.S. achieve emissions reductions of the scale now being discussed in the U.N. would cost some 1.7 million U.S. industrial jobs.

More recently, the Administration has conducted two studies estimating the economic impact of meeting emission reduction targets. The first was released in June of 1996, and the second is currently in draft form dated June 1997.

The 1997 study makes new assumptions which reduce the estimate of lost production (GDP) and implicit job losses by roughly one-half the expected GDP reductions estimated by the 1996 analysis. The new assumptions also accelerate the economy's "bounce-back" by several years. In general, in the 1997 study, GDP losses are estimated to be one-half of what they estimated in 1996, and recovery occurs in half the time.

Nonetheless, the Administration draft study shows that 900,000 jobs could be lost as a result of climate change policies. Jobs will be lost in nearly every region of the country and across a broad range of sectors. This job loss estimate should be regarded as very conservative. A more realistic estimate of the impacts of stabilization at 1990 emission levels may be on the order of 1.25 to 1.5 million jobs, with even larger job losses to achieve a reduction below 1990 levels. The emissions restrictions may be much more stringent. For example, the European Union is proposing a reduction in carbon dioxide emissions of 15 percent below 1990 levels by 2010.

The 1997 Administration study does not attempt to measure the impact of the job loss to our international competitors who are not subject to emission limitation requirements. This is a critical matter for jobs and incomes, which the Administration must address.

The Administration and its consultants expect that natural gas will displace coal in increasing quantities. The DRI model used by the Administration indicates that 57 percent of all emission reductions by 2010 in the stabilization case would result from reduced demand for coal, increasing to 65 percent by 2020.

Energy intensive industries would be most hurt by rising energy prices. Chemicals, refining, aluminum, paper, cement, and steel are included in the list of industries that would suffer the most serious job loss due to energy price increases.

These jobs and production would not disappear. They would simply move overseas. The rise in energy prices would place U.S. industry at a competitive disadvantage. As energy prices rise to reach more stringent targets, jobs will move to countries (non Annex I) that do not have to meet those targets. Carbon dioxide emissions as well as jobs and incomes will move. Ironically, in those industries where jobs move, emissions of carbon dioxide as well as other air and water pollutants are likely to rise, since industries in the U.S. must meet more stringent environmental requirements than our competitors.

Both the target concentration level and the timetable are still to be negotiated. These are crucial decisions and must be carefully considered. A rush to judgement in

Kyoto could result in long term damage to our economy, yet produce little or no environmental benefit.

Two basic principles must guide our approach in these negotiations. First, all countries of the world must be included in emission limitations. Emissions in China alone are growing rapidly enough to increase carbon dioxide concentrations in the atmosphere even if all other countries were to reduce their emissions. Emissions of China and India will dwarf the emissions of the US as industrialization proceeds because of their much larger populations.

Second, emission reductions must not proceed in a manner or timetable that causes damage to the U.S. economy. Jobs and incomes must be protected, and adverse effects on our international competitiveness must be avoided.

The current approach in the UN negotiations is fatally flawed. It does not meet the requirements of equity or environmental effectiveness. It requires very large de facto energy taxes, the transfer of a large chunk of our industrial base overseas, and at the end of the day does little or nothing to improve the prospects for a better climatic future.

Mr. Chairman, the AFL-CIO is ready to work with you and your colleagues to develop tools to address climate change in ways that are equitable and genuinely deal with the problems. Global warming is a global problem and our response must involve the entire international community.

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