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U.S. in Historic Shift on CO2

Businesses Brace for Costly New Rules as EPA Declares Warming Gases a Threat

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By JONATHAN WEISMAN and SIOBHAN HUGHES

WASHINGTON -- The Obama administration declared Friday that carbon dioxide and five other industrial emissions threaten the planet. The landmark decision lays the groundwork for federal efforts to cap carbon emissions -- at a potential cost of billions of dollars to businesses and government.

The Environmental Protection Agency finding that the emissions endanger "the health and welfare of current and future generations" is "the first formal recognition by the U.S. government of the threats posed by climate change," EPA Administrator Lisa Jackson wrote in a memo to her staff.



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Associated Press

The Capitol Power Plant, which heats and cools Congress's halls, still uses coal and emits greenhouse gases.

The finding could touch every corner of Americans' lives, from the types of cars they drive to the homes they build. Along with carbon dioxide, the EPA named methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride as deleterious to the environment. Even if the agency doesn't use its powers under the Clean Air Act to curb greenhouse gases, Friday's action improves the chances that Congress will move to create a more flexible mechanism to do so.

On a conference call Friday with environmentalists, EPA officials stressed they would take a go-slow approach, holding two public hearings next month before the findings are official. After that, any new regulations would go through a public comment period, more hearings and a long review.

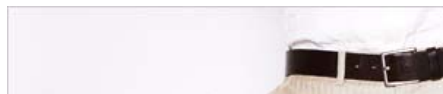
"Whatever the process it, it will be the time-honored and ordinary process of soliciting public input," an EPA official said.

New regulations driven by the finding could be years away. But unless superseded by congressional action, the EPA ruling eventually could lead to stricter emissions limits. Businesses that stand to be affected range from power plants and oil refineries to car makers and cement producers.

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[Full EPA Finding](#)[How Carbon Dioxide Became a 'Pollutant'](#)[Environment: EPA Says Case Is 'Overwhelming'](#)

Uncertainty about the impact of such regulation is already affecting some companies. [Consol Energy Inc.](#), a big coal and energy company based in Pittsburgh, says it is delaying two large mining projects in Northern Appalachia because of uncertainty



around pending carbon emission regulation.

"In terms of starting to move dirt, we would postpone that until there's some clarity," said Thomas Hoffman, vice president of investor relations.

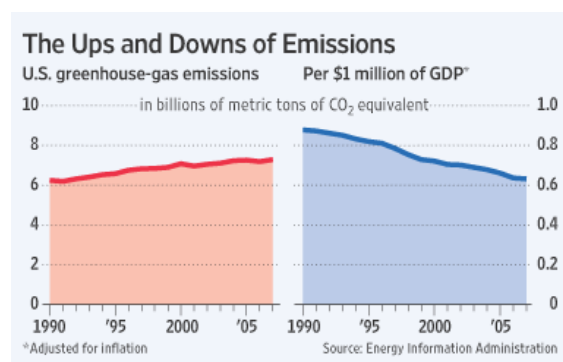
Friday's announcement marks a significant turn in U.S. policy on climate change. The U.S. has never ratified the Kyoto climate treaty. President Bill Clinton, who signed the pact, didn't submit it to the Senate for ratification because of strong opposition to the deal, which didn't impose greenhouse gas limits on China and other developing economies. President George W. Bush also didn't submit the Kyoto treaty for ratification, and largely resisted calls for stronger action on climate change, including the endangerment finding.

That approach began to crumble two years ago, when the Supreme Court found that carbon dioxide is a pollutant under the Clean Air Act and declared that the EPA can regulate it.

With Friday's finding, the U.S. takes a big step closer to European Union nations, which have agreed to Kyoto greenhouse gas limits and are pushing for a new treaty on climate change at a December meeting in Copenhagen.

Some Republicans and business groups that have long blocked action on climate-change legislation shifted positions in response, saying Congress now must act on legislation that would give businesses more flexibility in meeting emissions targets than rules issued under the Clean Air Act.

Rep. Edward J. Markey (D., Mass.), a co-author of sweeping climate change legislation, called the EPA's decision "a game changer."



"It's now no longer a choice between doing a bill or doing nothing," said the lawmaker, who will hold four days of climate change hearings next week before the formal drafting of a bill begins the last week of April. "It is now a choice between regulation and legislation."

Lamar Alexander of Tennessee, chairman of

the Senate Republican Conference, sought a middle ground, proposing to focus carbon caps on coal-fired power plants and vehicle tailpipes -- and holding off any move until the nation emerges from recession.

American Electric Power, a utility giant with 5.2 million customers in states from Texas to Michigan to Virginia, is already considering what coal plants would have to be shuttered and how high rates would have to go to comply with either a regulatory or legislative mandates to curb carbon dioxide. AEP spokesman Pat Hemlepp said rate increases stretch from 25% to 50% and beyond, depending on the climate change strategy that finally emerges from Washington.

A proposal by President Barack Obama would cap the emissions of greenhouse gases, then force polluters to purchase emission permits, which could be traded on the open market. The details of the cost of carbon credits have been left to Congress, although Mr. Obama has said he wants all emissions covered, with no allowance for free emissions, as some business groups and lawmakers want.

Heavy carbon emitters, such as utilities that rely on coal-fired power, would pay a hefty price, but the cost of compliance would be alleviated by purchasing extra emissions permits from companies that emit less or can more easily adapt with energy-saving technology.

Regulation, on the other hand, would probably exclude such flexibility, and simply force businesses to reduce emissions. Businesses also see a more favorable playing field in Congress than with EPA regulators, who do not have to face the voters.

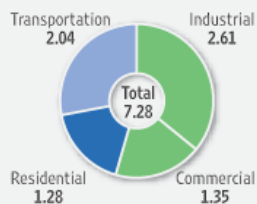
"We're pretty confident that Congress is going to be much more sensitive to the economic impact of this than some unelected bureaucrats," said Hank Cox, a spokesman for the National Association of Manufacturers.

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Business Challenge

U.S. greenhouse-gas emissions in 2007 by sector; in billions of metric tons of CO₂ equivalent



Source: Energy Information Administration

The impact of the EPA finding could be dramatic. Using the Clean Air Act, the EPA could raise fuel-efficiency standards for automobiles, such as by authorizing nationwide adoption of California's rules for greenhouse-gas tailpipe emissions.

That could require auto makers to produce more hybrid and electric vehicles, such as the Chevrolet Volt plug-in hybrid under development by General Motors Corp. The Volt, however, is expected to carry a sticker of about \$40,000, or roughly twice the price of a conventional Chevrolet Malibu sedan.

In electric power, the EPA could force new power plants to include emissions-reduction technology, although it is unclear whether emerging technologies to capture carbon-dioxide emissions would be feasible.

The EPA could order older power plants to be retrofitted, such as with more-efficient boilers, and it could mandate more reliance on wind and other renewable energy if coal-fired power plants can't be made to run more cleanly. That could present technological and infrastructure challenges.

White House officials made clear Friday that President Obama prefers a legislative approach to curbing global warming. The House Energy and Commerce Committee will hold hearings next week on an Obama proposal to cap carbon emissions and sell tradable permits that businesses must buy to emit carbon dioxide. The White House will dispatch senior officials to those hearings, an official said.

The EPA finding comes about two years after the Supreme Court found that carbon dioxide is a pollutant under the Clean Air Act and that the EPA can regulate it.

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