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## ATR Obama Budget Analysis: Energy Tax Hike Series

### *Cap and Trade*

#### Current Law

When world economies engage in global trade, there must be production of goods. This production of goods emits carbon. Under the Kyoto Protocol, several countries have implemented a method of cap and trade. Cap and trade is a system by which the government sets an arbitrary level, or “cap”, on the amount of carbon that companies are allowed to emit. Companies must then purchase credits from the government that represent the right to emit a specific amount. Companies that wish to increase their emissions must buy credits (the “trade”) from those who produce less.

In an effort to maintain United State competitiveness and productivity, there is not a current cap and trade system in effect. Every cap and trade system proposed in the U.S. Congress has been rejected by not only members, but the general public as well.

#### Obama Proposal

The Obama FY 2010 budget proposal will implement a cap and trade system on all American businesses.

#### ATR Analysis

The implementation of a cap and trade program on American businesses will result in a tax increase of \$646 billion dollars over 10 years as called for in the Obama budget.

When fully phased in, this will be a \$100 billion per year tax on American businesses. This tax will decrease U.S. competitiveness and increase consumer costs.

Cap and trade systems punish businesses for being successful. As companies become more successful and employ more Americans, their production of goods increases. Along with this production, comes the natural byproduct from increased energy use. The purposeful taxation of this success by forcing an arbitrary cap on production emissions is counterproductive to a prosperous economy. Every family in America will pay this cap and trade tax in the form of higher energy prices.

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