Yes, It's Insane! How CO_2 Trading Works

by Richard Freeman

The insane carbon emissions trading bubble makes the 17th-Century Tulip Bubble look tame by comparison. It creates a giant swindle on top of history's greatest scientific fraud, which will eviscerate what remains of the U.S. physical economy and create genocide worldwide, especially in Africa.

Were the objective a clean environment, there would be a crash mobilization to produce hundreds of nuclear power plants; magnetohydrodynamics; magnetic-levitation (maglev) transport. But none of that is being done. We review here the overall parameters of the carbon exchange's operations.

Under the exchange's operation, a single country, or a group of nations, sets an upper limit, or cap, on the amount of carbon emissions allowable, which are then issued to businesses and farms, granting each of them the right to emit a specified amount of emissions during a year. The CO_2 emission allowances can be traded, and a company that cuts back its annual emissions below the cap will have extra emission allowances left over, which it can sell to other companies for a profit. However, were a company to emit a level greater than that allowanced, it must buy additional emission allowances from other companies, until it has allowances that match its actual emissions. This system is called cap-and-trade.

The key is that each year the volume of emission allowances that is allocated to a particular company is reduced from the year before. Either the company must cut back its CO_2 emissions by making new investments—however, after cutting back emissions by 20 to 30%, it becomes increasingly expensive to make further cuts—or it buys additional allowances to cover its extra actual CO_2 emissions; or the company collapses.

The governing plan is the Kyoto Protocol—an amendment to an international treaty on "global warming" called the United Nations Framework Convention on Climate Change—which went into operation in 2005, 15 years after its main features were worked out in Kyoto, Japan (the United States is not a signatory to the Kyoto Treaty). The Protocol enforces a standard of a 6% reduction in CO_2 emissions below 1990 levels, by 2010. Gore and his fellow Nazi fanatics think that this is going too slowly; they seek a 90% cut in emissions by 2050.

Each individual nation's government issues the emission allowances to industrial firms, electricity generators, etc., in

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its own country. The government can either issue the allowances for free, or through auctions in which companies pay for the allowances. The allowances are issued, starting with the heaviest CO_2 emitters, such as fuel extraction or mining operations; fuel-processing companies, such as power generation companies; energy-intense industries, such as aluminum and steel; all the way down the industrial-agricultural chain. Many of these companies can pass the higher costs for emission reductions, or buying increasingly expensive emission allowances, on to the customer. In fact, the Malthusians who devised the exchange-trading scheme want this to happen; this is one of its prime purposes: 50-75% of the escalating costs will be borne by the consumer.

In 2006, the National Commission on Energy Policy, a main coordinating tool for carbon-based trading, which includes World Wildlife Fund head William K. Reilly, and former CIA director James Woolsey on its board, issued a policy report, "Allocating Allowances in a Greenhouse Gas Trading System." In it, the NCEP asserts that energy prices must really bite; it says: "Cost pass-through is important to the efficacy of the policy as a whole, since the key to eliciting a full range of efficient responses throughout the economy is for the carbon price signal to be transmitted all the way down the supply chain from fuel producers to end-use consumers."

While the NCEP says there should be subsidies for some of the poorest layers of the population's energy costs, they warn against "shielding consumers from the price signals [increases] needed to stimulate desired behavioral responses through the economy." That "behavioral response" is for consumers to abandon electricity and consumer products generated from carbon-based fuel supplies, and instead purchase power and products generated from completely inefficient and regressive wind and solar power, etc. These "alternative fuels" could only become viable if fuel costs are driven through the ceiling—i.e., the equivalent of $100 to $200 per kilowatt of electrical power.

CCX: Update on the Carbon Trade Bubble

A Chicago Climate Exchange (CCX) spokesperson told *EIR* March 22 that the CCX, and the London-based European Climate Exchange (ECX) are at different stages of development. On Jan. 1, 2005, the Kyoto Protocol, specifying the standard of carbon emission reductions, became operational for the 27 nations of the European Union, in the form of the EU Emission Trading Scheme. At least 12,000 installations came under its purview. The oligarchy herded companies to trade allowances through the ECX, since a company couldn't very well find what it needed in the phone book. As the trading of emissions on the ECX rose sharply, this hooked the companies on CO_2 derivatives. The ECX website averred, "Approximately 95% of the total volume in the European carbon market are seen in derivatives trades."

On the other hand, the CCX spokesperson reported, the exchange is "at the pilot stage." In the U.S., carbon emission allowances are voluntary, not mandatory. However, CCX CEO Richard Sandor used CCX trading for the past four years to work out the bugs, and prepare for an immense gear-up in the future. He rounded up 85 companies, including Ford and DuPont, to engage in a "voluntary" process. It was voluntary for these companies to join, but once they signed a contract, it was mandatory for them to meet the same Kyoto Protocol standards. Sandor demonstrated that a trading platform could be set up; the CCX could execute trades among parties; create standardized, fungible instruments, etc. The CCX has about 45 speculative traders, who enter the market and speculate in allowances. The CCX spokesperson explained, "They can make money."

The CCX only awaits the making of CO_2 allowances trading mandatory in America, to explode in size and influence. This would bring out an inherent deadly feature. The standard contract traded on the CCX is 100 metric tons of CO_2 equivalent. Even though trading on the CCX is light, the price of one 100 metric ton of CO_2 equivalent contract was bid up from $0.95 in 2003 to $3.65 on March 22, 2007. Once this market became big, speculators could bid up the 100 metric tons of CO_2 contract to $30, $50, or $100. If a company, in order to cover its emissions, needed to purchase hundreds, or thousands of those contracts, it could be bankrupted. As speculators were making a killing, what remained of power companies and industry would be bankrupted, putting a nail in the coffin of the U.S.A. as a sovereign nation-state. If the financiers were to force through emissions reductions by 90%, the exchanges would implement them. The spread of the policy effect of this scheme to Africa, would create energy shortgage and genocide.

Some financial analysts have said that the U.S. market for CO_2 trading would reach $100 billion. Roger East in the British magazine *Green Futures,* predicted that the financial potential of the U.S. carbon trading market is somewhere between $100 to $500 billion. Only someone as mad as Gore could like this scheme.