

Congressman Spencer Bachus (AL-6), Ranking Member on the House Financial Services Committee, spoke on the House floor in opposition to the Waxman-Markey climate bill on June 29, 2009. He voted against the legislation. The following are his prepared remarks.

***"Mr. Speaker, I rise in opposition to the Waxman-Markey bill."***

***"This legislation creates a new multi-trillion dollar market for Carbon Allowance Derivatives overnight, all without one hearing before the Financial Services Committee. This continues a disturbing pattern of conduct of passing sweeping legislative proposals without consideration of the consequences and ramifications."***

***"While Congress and financial regulators continue to work to determine how best to oversee existing derivatives markets, it is ill-advised to rubber stamp the creation of a brand new, hard to price, and convoluted Carbon Allowance Derivative Market. The new market would be open to potential abuse because it will be difficult for regulators to understand and monitor."***

***"Under the Waxman-Markey bill the government would issue allowances (carbon allowance permits) that allow companies to emit a certain amount of greenhouse gases. Companies that emit too much can buy allowances from companies that produce less than their limit. In addition to carbon allowances, there are carbon offsets which allow companies to emit greenhouse gases in excess of the federal cap or limit. They do this by investing in projects that cut emissions and it is anticipated that many of these projects will be in developing countries." C.F.T.C. Commissioner Bart Chilton anticipates that overnight the bill will create a \$2 trillion dollar market, which he describes as 'the biggest of any commodities derivative product in the next five years.' Robert Shapiro, a former undersecretary of Commerce in the Clinton administration and a co-founder of the US climate Task Force warns that 'we are on the verge of creating a new trillion dollar market in financial assets that will be securitized, derivatized, and speculated by Wall Street, like the mortgage-backed securities market.' Mother Jones's Rachel Morris warns that without strong financial regulation of the market you could have abuses, over leveraging and ultimately collapse of the market." Democratic Senator Jeff Bingaman***

*has described these offset projects as 'fraught with opportunity for game playing, which will be fully exploited, I'm sure.'*

*"Many of these projects will be created in developing countries. A clean coal project in China or India could be used for carbon offsets, as could a tree planting project in Brazil or Borneo. As much as China needs to clean up their environment, should Americans pay for it? Should a tree planting project in Borneo allow the discharge of more pollution in America? Many of these remote projects will be notoriously difficult to confirm and monitor. Even in America with a well-established regulatory system we witnessed abuses in the subprime mortgage market. The derivatives market has the potential for even greater game playing in remote countries with questionable rule of law and little regulation."*

*"Michele Chan of Friends of the Earth says if not properly regulated the offset derivatives could become what she calls 'subprime carbon'-futures contracts that promise emissions reductions but fail to deliver and then become toxic or worthless. Already the financial markets and speculators are planning how to slice and dice them and sell them to investors. It sounds altogether too familiar-a brand new, hard to price, vast convoluted market of carbon derivatives. And if these warnings are correct, one that certainly could pose a systemic risk in the financial markets."*

*"If you liked what Wall Street did with the securitization of subprime mortgages, you'll love what they are going to do with carbon derivatives."*

*"Finally, 'cap and tax' will have a devastating impact on my home state of Alabama. The bias against coal and the renewable energy mandates will force consumers in Alabama to buy expensive 'green power' from other states, which will raise energy costs across the board. One study has projected that the typical family in Alabama could eventually see electricity bills rise by more than \$1500 a year. Higher energy costs will make our manufacturers less competitive, and Alabama and the rest of our country will lose jobs to nations like China, Korea, and Mexico which have lower energy costs."*

*"This bill is bad for Alabama, bad for the U.S. economy, and doesn't even begin to solve the serious energy challenges facing our nation."*

*"I urge my colleagues to vote no on Waxman-Markey."*

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