

*United States Senate*  
*Committee on Finance*



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OPENING STATEMENT OF SENATOR CHUCK GRASSLEY  
Hearing, “Auctioning under Cap and Trade: Design, Participation and Distribution of Revenues”  
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Some people may be wondering why the Senate Finance Committee is having a hearing on a cap and trade system for greenhouse gas emissions. When it comes to the potential environmental benefit of such a system, this committee probably does not have much to add to the work of the Environment and Public Works Committee. However, we are talking about a program that will raise hundreds of billions of dollars every year for the federal Treasury. With revenue of that magnitude, it would be surprising if the Finance Committee were not involved. What’s more, the cost will be paid by every American in the form of higher prices for energy, services, and any product that takes energy to produce or transport to market.

President Obama has acknowledged that under a cap and trade system “electricity rates would necessarily skyrocket.” When OMB Director Orszag was before this committee last year in his previous capacity, he made it clear that “Under a cap-and-trade program, firms would not ultimately bear most of the costs of the allowances but instead would pass them along to their customers in the form of higher prices.” Those energy price increases will also have a significant negative impact on economic growth and job creation. If that sounds suspiciously like a federal energy tax to those of you listening, you’re right.

The Senate Finance Committee has jurisdiction over all federal taxes and has extensive experience in considering the tax incidence of various policies. That experience will be invaluable on this subject because a very important aspect in designing a cap and trade system is who will ultimately bear the cost of the program and in what proportion. In short, who are the winners and losers?

One troubling aspect of cap and trade is that the speculators from Wall Street, Chicago, and San Francisco are foaming at the mouth to get their hands on trading profits from cap and trade allowances. Hedge funds, private equity funds, and other companies have been lobbying Congress to pass cap and trade legislation. In fact, Enron and AIG were early supporters of cap and trade legislation. Democratic Representative John Dingell has been quoted as saying, “I

attended a meeting of an organization interested in climate change legislation and guess who it was? It was a bunch of good-hearted Wall Streeters getting ready to cut a fat hog.” End quote. Well, I want to make sure the American taxpayer is not the fat hog that gets cut.

Today’s hearing will help us to better understand the economic consequences of a cap and trade system and the various trade-offs that Congress will need to carefully consider. Our distinguished panel of witnesses will no doubt give us some food for thought on these important issues.

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