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## COMMENTARY

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## *Potomac Watch* If the Cap Fits

By **KIMBERLEY A. STRASSEL**

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Washington this week officially welcomed the newest industry on the hunt for financial and regulatory favors. Big CarbonCap may have the same dollar-sign agenda as Big Oil or Big Pharma, but don't expect Nancy Pelosi to admit to it.

Democrats want to flog the global warming theme through 2008 and they'll take what help they can get, even if it means cozying up to executives whose goal is to enrich their firms. Right now, the corporate giants calling for a mandatory carbon cap serve too useful a political purpose for anyone to delve into their baser motives.

The Climate Action Partnership, a group of 10 major companies that made headlines this week with its call for a national limit on carbon dioxide emissions, would surely feign shock at such an accusation. After all, their plea was carefully timed to coincide with President Bush's State of the Union capitulation on global warming, and it had the desired PR effect. The media dutifully declared that "even" business now recognized the climate threat. Sen. Barbara Boxer, who begins marathon hearings on warming next week, lauded the corporate angels for thinking of the "common good."

There was a time when the financial press understood that companies exist to make money. And it happens that the cap-and-trade climate program these 10 jolly green giants are now calling for is a regulatory device designed to financially reward companies that reduce CO2 emissions, and punish those that don't.

Four of the affiliates -- Duke, PG&E, FPL and PNM Resources -- are utilities that have made big bets on wind, hydroelectric and nuclear power. So a Kyoto program would reward them for simply enacting their business plan, and simultaneously sock it to their competitors. Duke also owns Cinergy, which relies heavily on dirty, CO2-emitting coal plants. But Cinergy will soon have to replace those plants with cleaner equipment. Under a Kyoto, it'll get paid for its trouble.



#### NOTE

We reintroduce today the weekly Potomac Watch column from Washington. It will appear on Fridays and be written by Kimberley Strassel, a member of the Journal editorial board. Ms. Strassel joined the Journal in 1994 and has worked as a reporter in Europe and as an editor and editorial writer in New York.

DuPont has been plunging into biofuels, the use of which would soar under a cap. Somebody has to cobble together all these complex trading deals, so say hello to Lehman Brothers. Caterpillar has invested heavily in new engines that generate "clean energy." British Petroleum is mostly doing public penance for its dirty oil habit, but also gets a plug for its own biofuels venture.

Finally, there's General Electric, whose CEO Jeffrey Immelt these days spends as much time in Washington as Connecticut. GE makes all the solar equipment and wind turbines (at \$2 million a pop) that utilities would have to buy under a climate regime. GE's revenue from environmental products long ago passed the \$10 billion mark, and it doesn't take much "ecomagination" to see why Mr. Immelt is leading the pack of climate profiteers.

CEOs are quick learners, and even those who would get smacked by a carbon cap are now devising ways to make warming work to their political advantage. The "most creative" prize goes to steel giant Nucor. Steven Rowlan, the company's environmental director, doesn't want carbon caps in the U.S. -- oh, no. The smarter answer, he explains, would be for the U.S. to impose trade restrictions on foreign firms that aren't environmentally clean. Global warming as foil for trade protectionism: Chuck Schumer's dream.

What makes this lobby worse than the usual K-Street crowd is that it offers no upside. At least when Big Pharma self-interestedly asks for fewer regulations, the economy benefits. There's nothing capitalist about lobbying for a program that foists its debilitating costs on taxpayers and consumers while redistributing the wealth to a few corporate players.

This is what comes from Washington steadily backstepping energy policy into the interventionist 1970s, picking winners and losers. In ethanol, in biodiesel, in wind farms, success isn't a function of supply or demand. The champs are the ones that coax out of Washington the best subsidies and regulations. Global warming is simply the biggest trough yet.

Both Republicans and Democrats understand this debate is increasingly about home-state economics, even as they publicly joust about environmental rights or wrongs. The softening Republican stance on a mandatory program is one result. New Mexico's Pete Domenici appeared to undergo an epiphany about global warming in 2005, voting for a Senate resolution supporting caps. The switch might have more to do with remembering that his state is nuclear-power central, and will win big under a new program. Just ask his fellow New Mexican, Jeff Bingaman, who introduced the resolution.

Economic interests also motivate those Democrats who won't play nice. The senators who have voted against previous bills represent those industries that will suffer most under Mr. Immelt's agenda. Louisiana's Mary Landrieu (oil); Montana's Max Baucus (coal); West Virginia's Robert Byrd (ditto). House Energy & Commerce Chair John Dingell remains a skeptic, since the last thing his Michigan auto makers need is yet another reason for people to not buy their cars.

Which is fine with Ms. Pelosi. The Democratic leadership ran out of the winner's circle last November promising to tackle climate. And much was made this week of Madam Speaker's decision to wrest control of the debate away from Mr. Dingell's purview, handing it instead to a new "select" committee on climate change.

But read the fine print. The new vaunted committee will have no legislative authority, but exists solely to hold hearings and to "communicate with the American people." Ms. Pelosi and Harry Reid want to talk about this issue . . . and talk, and talk and talk. But not necessarily anything more.

That's because Democrats want global warming as an issue through 2008. With Al Gore getting his Oscar nod, they've got a "problem" that captures the public imagination, as well as an endless supply of cash from thrilled environmental groups. No need to spoil it with a solution. And a Democratic president in 2009 would be more open to any ultimate legislation.

Best yet, they've got the "support" of the business community, or at least the savvier elements of it. Welcome, Big CarbonCap; we're likely to be hearing a lot from you.

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