



LCFS: Transferring Wealth from Consumers, To Government, To Wall Street

No different from cap-and-trade, a Low-Carbon Fuel Standard (LCFS) would require the issuance of carbon credits and allowances from the federal government, and the subsequent buying, selling, swapping and trading of those credits in various financial markets around the world.

But while the intention is for these government-issued credits to encourage reductions in carbon emissions, such schemes open the door to fraud, abuse, and manipulation -- some of which may benefit Wall Street, but none of which will benefit the average American energy consumer.

Hobson's Choice: Buy the Credits, or Close Your Doors. For fuel producers unable to meet the LCFS mandates by reducing their intake of North American crudes -- especially producers in the Midwest -- the only other option available under leading LCFS proposals is to purchase attainment credits from the federal government.

The issuance of these credits, previously worth nothing, will have the effect of creating a brand new financial instrument that can be bought, sold, traded, packaged and repackaged on world financial markets.

Carbon Credit Trading Opens the Door to Wall Street Fraud, Manipulation. Much of our current economic downturn was triggered by investment banks trading and repackaging risky derivatives, credit swaps, and other exotic financial instruments. The impact of these actions and others has led to the deepest recession in a generation, with many families and retirees losing their entire life-savings. However, many of these banks who made risky bets were bailed out by American taxpayers. Consumers, unfortunately, were not.

An LCFS would provide banks and hedge funds even more avenues for influencing the price of energy and the access consumers have to it. The result: enormous profits for Wall Street executives, and higher energy prices for everyday American consumers.

A recent news article in the UK's [The Guardian](#)ⁱ highlights the risk:

- *"The Guardian revealed that steelmakers and **hedge funds were cashing in** ETS carbon credits obtained for free, causing the price of carbon to plunge." (emphasis added)*
- *"Polluters were issued with permits that can be traded between companies and countries as a way of encouraging an overall reduction in carbon output. However, **companies are now cashing them in. Up to \$1 billion-worth of permits are said to have been sold off in recent months as companies see an opportunity to bring in funds** at a time when their carbon output is expected to fall due to lower production." (emphasis added)*

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Consumer Energy Alliance (CEA) is a nonprofit, nonpartisan organization that supports the thoughtful utilization of energy resources to help ensure improved domestic and global energy security and stable prices for consumers.

ⁱ Terry Macalister, "Carbon trading may be the new sub-prime, says energy boss," *The UK Guardian*, [1/30/09](#).