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Edited by David Leonhardt

The Upshot

ENVIRONMENTAL INGENUITY

Best of Both Worlds? Northeast Cut Emissions and Enjoyed Growth

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Hannah Fairfield

Some critics of the Environmental Protection Agency's new requirements for power plants argue that forcing emissions reduction will curtail economic growth. But the recent experience of states that already cap carbon emissions reveals that emissions and economic growth are no longer tightly tied together.

One of the ways that states will be able to meet the new E.P.A. standards is by joining a Northeastern cap-and-trade program known as the Regional Greenhouse Gas Initiative, which first put in a carbon cap in 2009. In a cap-and-trade system, the government places a ceiling on total carbon emissions and issues permits for those emissions, which companies can buy and sell from one another.

The nine states already in the program — Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont — have substantially reduced their carbon emissions in recent years. At the same time, those states have had stronger economic growth than the rest of the country.

Historically, the demand for electricity was closely tied to growth in the

economy; only recently have the two decoupled.

These nine states had large emissions drops even before the program began in 2009, in part because the recession and warmer winters lowered the demand for power. The states also began switching to natural gas power, retiring coal units, and adding wind and solar energy generation. As the economy recovered, participation in the program spurred the states to find ways to meet the increasing demand for power without driving up emissions.

Since 2009, the nine states have cut their emissions by 18 percent, while their economies grew by 9.2 percent. By comparison, emissions in the other 41 states fell by 4 percent, while their economies grew by 8.8 percent.

The states in the program "were able to reduce emissions faster and more efficiently than was previously assumed," said Peter Shattuck, director of market initiatives at ENE, a research and advocacy group based in Boston. "It was encouraging to see how quickly they hit the targets."

Capping carbon emissions could still slow economic growth, and it is possible that the nine states that joined the cap-and-trade program would have had even better economic growth without the program. These states have more nuclear and natural-gas energy in their portfolios than do many other states; other states that depend primarily on coal power may not be able to reduce emissions as swiftly.

But the results in the nine states suggest that the effect of the cap-and-trade program on growth was, at most, modest. The sharp cut in emissions in the Northeast did not prevent the economy there from doing just as well as elsewhere.

Joining the Northeast cap-and-trade program, or another similar program in California that began in 2013, is one of many ways states can reach the new goals the E.P.A. has set. Other options include taking a series of individual steps — such as upgrading older power plants and expanding nuclear, wind and solar power generation — without a statewide cap. The states themselves will decide exactly how they will meet the goals set for them.

Economists have long praised cap-and-trade programs, compared with detailed mandates from regulators, because they create a market in which businesses are responsible for finding the cheapest way to comply with the regulation. Businesses that devise less expensive ways to reduce pollution can sell their permits to those that cannot change their habits so easily.

The administration of President George H.W. Bush began the original cap-and-trade program in the United States, for emissions related to acid rain. It is considered a major success, with sharp reductions in acid rain at little economic cost.

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