

## A Mercurial Reaction on Mercury?

By Dallas Burtraw and Alan J. Krupnick

The recent warnings for children and pregnant women to reduce tuna consumption due to the risk from high levels of mercury contamination highlights the importance of addressing the source of the problem—mercury emissions from power plants. Yet, criticism of the Bush administration's plan for reducing mercury emissions is mixing up the issues and, in the process, could delay or derail attaining environmental goals.

The Bush administration contemplates a new legal interpretation of the Clean Air Act to allow the trading of mercury emission credits among power plants. The administration's legal tactic has re-ignited a bitter debate that many thought had been settled during the final days of the Clinton era. Power plants received a special exemption under the Clean Air Act. After extensive study, Clinton ruled that mercury be regulated as a hazardous air pollutant, thereby imposing tight controls on every power plant. This one-size-fits-all approach would be expensive, especially for facilities that are not operated extensively. The Bush administration, in its Clear Skies proposal, responded by treating mercury in a manner analogous to sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>), using emission trading to achieve steep emission cuts.

Now, Clear Skies is stalled in Congress, and the Bush administration is forced to move forward on its own. The administration's plan? Reverse the Clinton action and instead introduce emission allowance trading for mercury. The critics response? Excoriate the Bush plan. Indeed, the cap under Bush's trading plan would lead to greater emissions than would have resulted under Clinton's approach. However, because emission trading is the visible aspect of the plan, it is taking an unjustified beating.

The practice of emissions trading is not the problem. This approach is used very successfully to regulate SO<sub>2</sub>, which contributes to respiratory problems and acid rain, and it could be used with mercury as well. The main problem is that the cap on national mercury emissions may be too high. Moreover, the trading plan needs fine tuning to address special aspects of mercury pollution.

Coal- and oil-fired power plants are the nation's largest unregulated source of mercury, responsible for about 40% of emissions that eventually enter the food chain. If mercury is as dangerous to the environment as many would have us believe—and the epidemiological studies are by no means clear on this point at the concentrations commonly observed—then a tight cap is warranted. Emission trading could be a tool to help us achieve that cap.

Economists champion emissions trading because it offers dramatic cost savings that can give profits to firms, lower electricity prices to consumers, and help achieve even greater environmental quality at the same cost as a one-size-fits-all approach. But to environmental advocates, it appears that the distribution of cost savings is one-sided.

Firms will benefit due to trading, but the proposed cap on mercury emissions is the most lenient of any serious proposal in Congress—even more lenient than the administration’s own proposal up until just a few weeks ago. This relaxation comes at the same time that all states except two have issued health advisories for mercury on eating freshwater fish, and, for the first time, the Food and Drug Administration is proposing advisories for tuna fish.

Consequently, critics are trashing the idea of emission trading. But, it is important not to confuse the policy tool (emission trading) with the environmental targets. Through the cost savings in trading, it’s possible to seek more ambitious environmental goals than we could otherwise, but many critics contend that trading is part and parcel of a policy intended only to relax environmental standards.

This line of attack against emission trading is dangerous for broader environmental goals. Emission trading is important to achieving reductions in SO<sub>2</sub> and NO<sub>x</sub>, and inevitably one day a fourth pollutant—carbon dioxide (CO<sub>2</sub>).

But to be sure, emissions trading for mercury is tricky. Mercury is acutely toxic, meaning that the even minimal exposures are dangerous to human health. Mercury emissions can travel long distances and even go around the globe. However, the form of mercury that is most toxic tends to precipitate out of the atmosphere within relatively close proximity to the source.

As we have seen with the SO<sub>2</sub> Allowance Trading Program, emission reductions for mercury would surely decline almost everywhere, but the decline may be greater at one location than at another, leaving some apparent peaks at plants where there are fewer reductions. Critics have labeled these locations as potential hotspots and argued this is unacceptable. But, whether the situation would be worth it really depends on whether the prospect of cost savings improves the political prospects that a policy—and significant overall reductions—would be passed.

Some constraints on trading could help rule out even the remote possibility of local hotspots. For instance, some states with particularly vulnerable ecosystems that fear they will not see mercury reductions may want to opt out of a national trading program. Furthermore, minimal levels of mercury reductions at all facilities could be required, while still enabling trading to achieve the greatest reductions where it is cheapest.

Critics should not miss the larger goals by focusing on emission trading for mercury. While mercury contamination makes for scary headlines, SO<sub>2</sub> emissions continue to be regulated under a fairly weak cap. Since SO<sub>2</sub> converts to particulates in the air and this pollutant appears to be particularly deadly—far more so than mercury at observed concentrations—the cap on SO<sub>2</sub> needs to be reduced much farther and emission trading is the tool to do so. Oddly enough, the administration and Congress agree! Yet, this plan remains stalled in Congress, due to differences in deadlines for emission reductions, and mostly due to disagreement about control of CO<sub>2</sub>, an anathema to the Bush administration.

Whether or not one buys the idea of emission trading for mercury reductions, let's not blame emission trading for the lack of political will. Setting an aggregate emission cap is the main decision we face on mercury. Emission trading is just a tool that if used properly can help us get there.

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