OurEnergyPolicy.org

July 2015

Congressman John Delaney (D-MD) hosted a discussion at OurEnergyPolicy.org (OEP) on his carbon tax legislation, Tax Pollution, Not Profits. Here is a snapshot of the perspectives offered by OEP's diverse community of vetted experts.

To read the full discussion, please visit: OurEnergyPolicy.org.

"Climate change is a threat to our environment and our economy, and we cannot afford the risk of inaction. With our free market economy, the best solution is a simple, transparent tax on carbon that unleashes the power of the market and enables America to lead the way toward a new, clean energy economy."
*- **Rep. John Delaney (D-MD)**, U.S. House of Representatives*

Key Points: Tax Pollution, Not Profits

Support for a Carbon Tax:	"A carbon fee imposed as a compliance mechanism in lieu of a purely regulatory approach, is **a more effective way to curb carbon emissions, provides certainty to industry's infrastructure investments, and simplifies compliance**… By dedicating revenues... to lowering the corporate tax rate and to compensating families for higher energy costs, modeling has shown that there would be an increase in GDP, job creation, and of course a substantial benefit to U.S. companies by enhancing their competitiveness in global markets if the U.S. pairs its policy with a Border Adjustment Tariff." – **George Frampton,** Partnership for Responsible Growth "The carbon tax is an opportunity to **shrink the size of government, while making real and meaningful progress on reducing carbon emissions**. Dedicating the revenue to tax reduction could allow the United States to move from having the highest corporate income tax rate in the OECD to having no corporate income tax whatsoever. That's a win-win for conservatives." – **Catrina Rorke**, The R Street Institute "Congressman Delaney's bill... is a welcome positive step to address the climate change problem. **Carbon taxes should be one important component of an overall strategy to address climate change**. – **Henry Goldberg**, Consultant "A **carbon tax can be good energy and environmental policy** if, and only if: (1) it does not become a substitute for other clean energy policies… (2) the absolute level of the tax is high enough to drive market shifts… (3) the authorizing legislation provides for escalation and long-term certainty." – **William Prindle,** ICF International
Recommendation for Alternative Carbon Pricing Mechanism:	"Compared to the Congressman's proposal**, Fee & Dividend is simpler, more transparent, less regressive, and will lead to more greenhouse gas reductions**." – **Dan Miller**, The Roda Group
Opposition to a Carbon Tax:	"The tax under discussion here..., as proposed by Congressman Delaney, would rise to an inflation adjusted $175/ton in 40 years and an inflation-adjusted $840/ton by the end of the century. As mentioned, **it will have a trivial impact even if matched by the rest of the developed world.** The developing world is very likely to balk at an agreement that binds them to such high tax rates." – **David Kreutzer**, The Heritage Foundation

……

Challenges in Allocating the Revenue:	"Policies that do the most to help low- and moderate-income households, such as tax credits, do the least to offset the macroeconomic drag of raising energy costs. Policies that do the most to encourage growth, such as cutting the corporate tax rate, provide the biggest gains to upper-income taxpayers and offset only part of the carbon tax burden on low-income households. **Congressman Delaney's proposal charts a middle course**, devoting substantial revenue to each approach." – **Donald Marron**, The Urban Institute "Virtually all proposals... promise to make fossil fuel energy much more expensive..., therefore creating a strong incentive to avoid carbon based energy. Yet, **the world's poor can't afford energy** even at today's "cheap" prices for these fuels." – **Dr. Bruce Stram**, World Federation of Scientists "It is clear...that **one complication of pursuing the most efficient revenue recycling could be the distributional results**… Put another way, the most economically efficient recycling benefits poor households (who pay very little in taxes) proportionately less than rich households (who pay much more in taxes). Thus, there is an intrinsic tradeoff between optimizing the macroeconomic effects of the tax reform and making it distributionally neutral or progressive." – **Aparna Mathur**, American Enterprise Institute (AEI)
Impact on Greenhouse Gas Emissions:	"Under... an upstream approach, refineries and importers of petroleum products would pay a tax based on the carbon content of their gasoline, diesel fuel, or heating oil... **This carbon content of fuels scheme would enable the policy to capture about 98 percent of US CO2 emissions by covering only a few thousand sources as opposed to the hundreds of millions of smokestacks, tailpipes, and so on that emit CO2 under a system targeting actual emissions.**" – **Joseph Aldy**, Harvard Kennedy School
Impact on Renewable Energy:	"A far more serious issue is the subtle assumption that as coal, and later gas electric plants, are phased out because carbon taxes make them economically unattractive, their replacement non-carbon sources of electricity would be economically priced and could become operational quickly enough to prevent power shortages. Neither of these implied assumptions may be valid… **Economic and political discussions need to be broadened… to examine our difficulties in manufacturing economically attractive non-carbon sources quickly enough to meet climate change goals.**" – **Herschel Specter**, Micro-Utilities, Inc.
Border Adjustment and International Trade:	"The 'border adjustment'... is **effectively a tariff, which may be disallowed under WTO rules**, and which at least would be contested and otherwise lead to retributive action." – **Lewis J. Perelman**, Perleman Group "A US carbon fee, which if revenue-neutral as proposed and which makes the US corporate tax rate more globally competitive, would boost GDP growth domestically**. If a border tariff adjustment program is put in place, it would quickly be matched by all our significant trading partners**." – **William Eacho**, Partnership for Responsible Growth