

## Expert Dialogue

# A Price on Carbon

Excerpts from OurEnergyPolicy discussions on carbon pricing



OurEnergyPolicy (OEP) hosted two discussions on carbon pricing—an [online discussion](#) “Time for a Price on Carbon” led by Congressman Ted Deutch (D-FL-22) on his Energy Innovation and Carbon Dividend Act (H.R. 763)—and a [live panel discussion](#) “Accounting for the Cost of Carbon” (part of OEP’s New York Energy Leaders Luncheon Series) with three experts giving remarks on the policy, economic, and business challenges of carbon pricing.

This summary features excerpts of comments and remarks from both discussions. Access this document online at <https://bit.ly/2RoMNSU>.

### Select Points from Both Discussions

Various individual experts made the following points (further detail on pages 2-4):

- We must price carbon high immediately. We are running out of time and must “slam on the brakes.” (*Robert Litterman, Founding Partner, Kepos Capital, p. 2*)
- The price of carbon should relate to the price of carbon removal/direct air capture. (*Robert Litterman, Founding Partner, Kepos Capital, p. 2*)
- Carbon tax outcomes will vary in different states based on their current energy mix. (*Marc Hafstead, Fellow and Director, Carbon Pricing Initiative, Resources for the Future, p. 2*)
- New York State can’t reach its clean energy goals without carbon pricing. (*Gavin Donohue, President and CEO, Independent Power Producers of New York, p. 2*)
- Carbon pricing can make other policies more effective, such as aiding the transportation sector by incentivizing people to drive less. (*Ed Dolan, Senior Fellow, Niskanen Center, p. 4*)
- Tax funds should be used to invest in clean energy, infrastructure, and funds to help workers and communities transition to a cleaner economy. (*Rep. Jimmy Panetta, D-CA-20, p. 3*)
- Tax funds should be returned to the public in a dividend to get public buy-in and achieve social goals. (*Dan Miller, Managing Director, The Roda Group, p. 3*)
- Regulations that encourage high-octane/high-ethanol blend pumps could complement carbon tax policy (*Joanne Ivancic, Executive Director, Advanced Biofuels USA, p. 4*)
- Carbon pricing alone will not fix climate change. We need a “staggering diversity of other policies,” as well. (*Carl Pope, Former Executive Director, Sierra Club, p. 4*)
- U.S. leadership will be essential for countries across the world to implement a carbon tax. (*Marc Hafstead, Fellow and Director, Carbon Pricing Initiative, Resources for the Future, p. 2*)

## Panel Discussion on Carbon Pricing



OEP brought together three carbon pricing experts—Robert Litterman (Founding Partner, Kepos Capital), Gavin Donohue (President and CEO, Independent Power Producers of New York), and Marc Hafstead (Fellow and Director of the Carbon Pricing Initiative, Resources for the Future)—in February 2020 for a panel discussion in New York City. The discussion was moderated by Amy Davidsen (Executive Director, North America, The Climate Group) and preceded by remarks by co-host Robert L. Stout, Jr. (BP America Vice and Head of U.S. Policy). This was one of many events in OEP’s [Energy Leaders Luncheon Series](#).

## What is Important for State, Federal, & Global Carbon Pricing?

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| <p><b>Carbon pricing is essential to reaching New York’s goals</b></p>    | <p><b>“We would like to see carbon pricing, and what we’ve done in New York...be the framework for the nation and the region....</b> We have a state policy of now promoting 3,000 MW of storage, 9,000 MW of offshore wind, carbon-free electricity, [and] renewable targets. <b>We can’t get there without carbon pricing.</b> It just is impossible.” <a href="#">Event Summary &amp; Recording</a><br/>         – <a href="#">Gavin Donohue</a>, President and CEO, Independent Power Producers of New York</p>   |
| <p><b>Carbon pricing outcomes differ by region</b></p>                    | <p>“I worry that people are going to... say, ‘Carbon pricing didn’t work.’ It’s not that it didn’t work—it’s just that you’re focusing on high-cost abatement options. And if you actually <b>put a carbon price somewhere [with] low abatement cost options, it would look much more effective....</b> We don’t have 5 years to argue.... Let’s get a price in place and go from there.” <a href="#">Event Summary &amp; Recording</a><br/>         – <a href="#">Marc Hafstead</a>, Director, Carbon Pricing Initiative, Resources for the Future</p>   |
| <p><b>U.S. leadership will increase global participation</b></p>          | <p><b>“I think U.S. leadership will be essential to getting other countries on board....</b> As soon as you start seeing major players like the U.S. put a carbon price in place, that takes away that argument in those countries [that carbon pricing will disadvantage their domestic industries].” <a href="#">Event Summary &amp; Recording</a><br/>         – <a href="#">Marc Hafstead</a>, Director, Carbon Pricing Initiative, Resources for the Future</p>  |
| <p><b>Must price carbon now, change incentives to change behavior</b></p> | <p>“Had we priced emissions 20 years ago, we would be in good shape. [But] the <b>risk is exploding right now. We have no time to delay.... We’ve got to globally price emissions very high immediately....</b> Everyone responds to incentives. And <b>right now, the incentives go the wrong way.</b> Our foot is on the accelerator, we’ve got to slam on the breaks. And that means putting a price on carbon. <b>When we change the incentives, we’re going to change behavior....</b>” <a href="#">Event Recording</a><br/>         – <a href="#">Robert Litterman</a>, Founding Partner, Kepos Capital</p> |
| <p><b>Price of carbon should relate to direct air capture</b></p>         | <p>“Every ton of carbon dioxide that we put into the atmosphere today, we’re probably going to have to pull out at some point in the future. That’s expensive. And <b>so the price is basically that tradeoff between the cost today of not putting it in, versus the cost that we’re going to leave as a legacy....</b>” <a href="#">Event Recording</a><br/>         – <a href="#">Robert Litterman</a>, Founding Partner, Kepos Capital</p>  |
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## Energy Innovation and Carbon Dividend (H.R. 763)



Image from [energyinnovationact.org](http://energyinnovationact.org)

Florida Congressman Ted Deutch introduced the Energy Innovation and Carbon Dividend (H.R. 763) in January 2019, and the bill has more than 70 cosponsors. It was also introduced in the Senate in 2018 (S. 3791, Senator Chris Coons, D-DE). The legislation would institute a \$15 per ton carbon fee that increases by \$10 per year and would return 100% of net revenues back to Americans in a monthly dividend check, amounting to as much as \$367 per month to a family of four.

“For too long, damaging carbon emissions have been left off the balance sheet of the world’s largest polluters,” Congressman Deutch said on [OurEnergyPolicy.org](http://OurEnergyPolicy.org). “I introduced [this] bipartisan plan...to put a price on carbon and send a signal across the economy that it’s time to switch to clean energy.”

## Is Returning 100% to Americans As a Monthly Dividend the Best Use?

**No, invest in clean energy, infrastructure, workers**

“Another way to use the revenue from the carbon fee is to **invest in clean energy, infrastructure, and funds to help workers** & communities transition to a cleaner energy economy [such as in] my bill—the **Climate Action Rebate Act, H.R. 4051**.... My legislation strikes an important balance between providing rebates to low- and middle-income families while simultaneously investing in the...assistance that will carry out nation forward....” [Full Comment](#)  
– [Congressman Jimmy Panetta \(D-CA-20\)](#)

**No, build infrastructure, prioritize low-income areas**

“Instead of giving a dividend, the revenues in [Advanced Biofuels USA’s ‘disappearing gas tax’] would, similar to Congressman Panetta’s proposed legislation, use the funds to **build infrastructure**. The scheme would **consider environmental justice** & prioritize low-income and high-pollution areas....” [Full Comment](#)  
– [Joanne Invancic](#), Executive Director, Advanced Biofuels USA

**Yes, dividend will get public buy-in & meet social goals**

“The carbon price itself is what does most of the useful work. The **allocation of the revenues** is a matter of **building a coalition behind the tax**. I am ok with the fee-and-dividend approach of H.R. 763, but I would not object if some revenue were diverted....” [Full Comment](#)  
– [Ed Dolan](#), Senior Fellow, Niskanen Center

“In order to **get public buy-in** for a high carbon fee, 100% of the money collected—every penny—should be returned to the public on an equal basis.... A carbon fee that is **not returned** to the public is a **regressive tax** that hurts the poor the most.... **To meet environmental and social justice goals**, all of the collected money should be returned to the public.” [Full Comment](#)  
– [Dan Miller](#), Managing Director, The Roda Group

**Yes, other uses don’t benefit Americans**

“**I get concerned** when carbon tax money gets slated for future renewable projects .... There are too many government officials that build their bank accounts on projects like these. That **does not help the middle-class homeowner**.” [Full Comment](#)  
– [Sid Abma](#), CEO, Global Sidel Systems USA

## Does a Price on Carbon Need to Be Part of a Larger Strategy?

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**Yes, & carbon tax is an important step**

“While so much needs to be done, a **fundamental step forward** is to put a price on carbon. It is hard to imagine seriously addressing the climate crisis without **aligning financial incentives** with climate realities.” [Full Comment](#)  
– [Dan Miller](#), *Managing Director, The Roda Group*

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**Yes, carbon tax can make other policies more effective**

“Absolutely. Even if we retain other policies, a **carbon tax will make them more effective**. For example, **CAFE standards** only incentivize people to build & buy fuel-efficient cars; adding carbon tax would add an incentive to drive those cars less.” [Full Comment](#)  
– [Ed Dolan](#), *Senior Fellow, Niskanen Center*

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**Yes, climate is a complex problem and more than one action needed**

“Yes, we need carbon pricing, but not as much as we used to. We need a staggering diversity of other policies to make climate markets work; **carbon pricing alone will not do it**.... We are faced with a world in which an overly simplified reliance on the market to get things right has created the climate crisis. We would now prefer that we could solve that problem with a single fix—in face of **overwhelming evidence** that we need to think about the consequences of the way we live and work in a **staggeringly more complex way**....” [Full Comment](#)  
– [Carl Pope](#), *Former Executive Director, Sierra Club*

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## What Other Policies Should Complement a Carbon Fee Policy?

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**Enable new transmission**

“Use eminent domain & **reduce regulatory barriers to make it easier to build transmission** lines from wind & solar sources to less windy or sunny areas....” [Full Comment](#) – [Ed Dolan](#), *Senior Fellow, Niskanen Center*

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**Scale up green finance**

“Additional financial levers are required to move forward faster: ....**scaling up green finance**, slashing investment funds available to finance fossil infrastructure, & accelerating the retirement of existing carbon-intensive assets....” [Full Comment](#)  
– [Jane Twitmyer](#), *Principal, CACW/Watts*

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**Reinstate incentives for low-emission transportation**

“As companion legislation or through regulation, the incentives to auto manufacturers to build flex fuel vehicles and **regulations that encourage high octane/high ethanol blend pumps** should be reinstated.... [this is an] easy-to-implement, quick, effective greenhouse gas emission reduction fix.” [Full Comment](#)  
– [Joanne Invancic](#), *Executive Director, Advanced Biofuels USA*

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Quotes in this document are from an OurEnergyPolicy live panel discussion, “[Time for a Price on Carbon](#),” held for Congressman Ted Deutch (D-FL-22) February 3–March 16, 2020, and from an online discussion, “[Accounting for the Cost of Carbon](#),” held February 26, 2020.



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