



Carbon Tax Position Paper

Introduction

A price for carbon will discourage emission of climate-changing greenhouse gases (GHGs). There are two competing models to accomplish this: a cap-and-trade system and a carbon tax. We believe that a revenue-neutral carbon tax is the most appropriate solution. This paper explains that position in brief.

What is a carbon tax, and what is cap-and-trade?

Carbon tax: A fee attached to sources of GHG emissions in order to discourage their release. It is attached as far "upstream" (i.e. the coal mine, the oil well, or the point of entry into the country) as possible, and only once. The tax increases with time.

Cap-and-trade: A cap on total GHG emissions is set, and permits to emit up to that cap are given or auctioned to companies. These permits may then be traded among companies like stocks, and the owner of the permits may emit up to the amount specified by the permits they own.

Carbon Tax Disadvantages

There is no cap on emissions: Companies can emit as much as they want, as long as they're willing to pay for it. However, as the price increases, carbon becomes more expensive than cleaner options, and emissions will cap themselves.

Regressive tax: The poor spend a relatively larger portion of their income on carbon, and so would be hit harder by a carbon tax. However, the proceeds from the tax could be returned in such a way that this burden for the poor is eliminated or even reversed (see 'Dividend' under 'Revenue-neutral uses for funds raised').

Carbon Tax Advantages

Quick: a tax could be put in place tomorrow, whereas a cap-and-trade system would take up to four years to set up the necessary infrastructure. The sooner we start the more GHG emissions we can stop.

Honest and Transparent: The stable and fixed price of a carbon tax is easy to see. The stock-like price volatility of cap-and-trade allows special interests, lobbyists, and speculators to make non-productive millions at public expense. A carbon tax allows no room for double speak as when Japan claimed to be the greenest country because of the permits it bought from China, while GHG emissions in both Japan and China increased.

Less government: unlike cap-and-trade, there would be no need for regulatory oversight.

Creative solutions: companies can save by reducing the fuel they burn or the GHGs they emit. Energy efficiency reduces how much they burn, while GHG capture and storage reduces emissions and earns tax write-offs. This creates a financial incentive to innovate, resulting in new business and further reduction of harmful emissions.

Broad support: virtually all *economists* and the *Congressional Budget Office* conclude that a carbon tax will be far more effective than cap-and-trade at reducing GHG emissions and avoiding harm to our economy. The price-stability of a carbon tax enables *businesses* to make reliable long-term projections about their expenses resulting in better planning. Exxon-Mobil CEO Rex Tillerson calls a carbon tax "a more direct, a more transparent and a more effective approach." *Conservatives* such as Arthur B. Laffer and Rep. Bob Inglis (R-4th SC) and *liberals* such as Al Gore and NASA scientist Dr. James Hansen all support a revenue-neutral carbon tax.

Revenue-neutral uses for funds raised

Payroll or income tax relief: each dollar collected from a carbon tax triggers an identical reduction in payroll or income taxes.

Dividend: give the same amount of money back to each citizen. This would make the tax progressive, as the poor tend to use less carbon than the rich and thus would get more back from a flat return than they spent.

Perspective: A carbon tax of \$20 per ton of CO₂ would raise the price of gas \$0.20 a gallon.