

Legislative proposal: Carbon Fee and Dividend

Proposed Findings:

- 1. Causation:** Whereas the weight of scientific evidence indicates that greenhouse gas emissions from burning fossil fuels and other sources are causing rising global temperatures,
- 2. Mitigation (Return to 350 ppm or Below):** Whereas the weight of scientific evidence also indicates that a return from the current concentration of more than 387 parts per million (“ppm”) of carbon dioxide (“CO₂”) in the atmosphere to 350 ppm CO₂ or less is necessary to slow or stop the rise in global temperatures,
- 3. Endangerment:** Whereas further increases in global temperatures pose imminent and substantial dangers to human health, the natural environment, the economy and national security and an unacceptable risk of catastrophic impacts to human civilization,
- 4. Co-Benefits:** Whereas the measures proposed in this legislation will benefit the economy, human health, the environment and national security, even without consideration of global temperatures, as a result of advances in clean-energy technology, reductions in non-greenhouse-gas pollutants, reducing the outflow of dollars to oil-producing countries and improvements in the energy security of the United States,
- 5. Benefits of Carbon Fees:** Whereas phased-in carbon fees on fossil fuels (1) are the most efficient, transparent and enforceable mechanism to drive an effective and fair transition to a clean-energy economy, (2) will stimulate investment in clean-energy technologies by insuring that fossil fuels lose their competitive price advantage over clean energy within a 10-year time frame, and (3) give all businesses powerful incentives to increase their energy-efficiency and reduce their carbon footprints in order to remain competitive,
- 6. Equal Monthly Per-Person Dividends:** Whereas equal monthly dividends (or “rebates”) from carbon fees paid to each American household can help insure that families and individuals can afford the energy they need during the transition to a clean energy economy and the dividends will stimulate the economy,

Therefore the following legislation is hereby enacted:

- 1. Collection of Carbon Fees/Carbon Fee Trust Fund:** Upon enactment, impose a carbon fee on all fossil fuels at the point where they first enter the economy. The fee shall be collected by the Internal Revenue Service. The fee on that date shall be \$15 per ton of CO₂ equivalent emissions and result in equal charges for each ton of CO₂ equivalent emissions potential in each type of fuel. The Department of Energy shall propose and promulgate regulations setting forth CO₂ equivalent fees for other greenhouse gases including methane, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons (HFCs) emitted as a byproduct, perfluorocarbons, and nitrogen trifluoride. The Internal Revenue Service shall also collect the fees imposed upon the other greenhouse gasses. All fees are to be placed in the Carbon Fees Trust Fund and be rebated 100% to American households as outlined below.
- 2. Ensuring that Clean Energy Becomes Competitive Within a Ten year Time Frame:** The yearly increase in carbon fees including other greenhouse gasses, shall be at least \$10 per ton of CO₂ equivalent each year to ensure that fossil fuel energy

loses its competitive price advantage with respect to the clean energy technologies we have today, including, at a minimum, wind, geothermal and industrial solar energy, within 10 years of the date of enactment. Annually the Department of Energy shall determine whether an increase larger than \$10 per ton per year is needed to achieve program goals. Yearly price increases of at least \$10 per year shall continue until total U.S. CO₂-equivalent emissions have been reduced to 10% of U.S. CO₂-equivalent emissions in 1990.

- 3. Equal Per-Person Monthly Dividend Payments:** Equal monthly per-person dividend payments shall be made to all American Households (1/2 per child under 18 years old, with a limit of 2 children per family) each month. The total value of all monthly dividend payments shall represent 100% of the total Carbon Fees collected per month.
- 4. Border Adjustments:** In order to ensure that U.S.-made goods can remain competitive at home and abroad and to provide an additional incentive for international adoptions of carbon fees, Carbon-Fee-Equivalent Tariffs shall be charged for goods entering the U.S. from countries without comparable Carbon Fees/Carbon Pricing. Carbon-Fee-Equivalent Rebates shall be used to reduce the price of exports to such countries and to ensure that U.S. goods can remain competitive in those countries. The Department of Commerce will determine rebate amounts and exemptions if any.
- 5. Phase Out of Fossil Fuel Subsidies:** All existing subsidies of fossil fuels, including tax credits, shall be phased out over the 5 years following enactment.
- 6. Moratorium on New or Expanded Coal-Fired Power Plants:** Beginning on the date of enactment, there shall be no new coal-fired power plants permitted, constructed, or operated. There shall also be no expansions in capacity of any existing coal power plants permitted, constructed, or operated. And any previously permitted coal-fired power plants that have not yet been constructed or put into operation prior to the date of enactment shall not be put into operation and shall not be further constructed.
- 7. Seeking Treaties:** The President in consultation with the United States Department of State shall seek treaties with other countries that encourage adoption of programs similar to the ones provided for in this Act to reduce CO₂ and other greenhouse gas emissions in other countries.

Legislation introduced in the 111th Congress by Rep. Larson (D-CT), H.R. 1337 America's Energy Security Trust Fund Act, and by Rep. Inglis (R-SC), H.R. 2380 Raise Wages Cut Carbon Act, reflects an approach very similar to this.