CITIZENS CLIMATE LOBBY

Political Will for a Livable World

Responses to Koch-Funded Ads

The American Energy Alliance, a political advocacy organization with connections to Big Petroleum and the Koch Brothers, has recently released a smear campaign against carbon taxes. Their claims are misleading, since they fail to distinguish between a tax that only raises revenue, which no one at all is discussing, and a tax with revenue recycling [1, 2, 3, 4, 5, 6]. A tax with revenue recycling, the type that Citizen's Climate Lobby supports, addresses all of the issues the American Energy Alliance's ads use to attack a carbon tax.

Their Claim: *The American Energy Alliance claims that a carbon tax will hurt American families because corporations will pass on increased costs to the consumer. They say the tax would cost the average American family about $2,000 annually. They point out people on fixed incomes, like the elderly, would be hit the hardest.*

The Truth: This attack completely ignores the reimbursement component of revenue recycling. The CCL proposed legislation mandates that 100% of the taxes collected will be distributed directly to American households to compensate for increased expenses [1]. Our legislative proposal would start taxing carbon at the modest rate of $15 per ton of CO_2, increasing by $10 annually. This equates to an increase of just under $0.15 per gallon of gasoline in year 1, generating roughly $79 billion in revenue [8]. This equates to a rebate of around $249 per U.S. resident, or $647 per average US household [8]. Because of the large income disparities in the US, reporting the costs to the average family is also misleading. The reality is that the poorest 20% of Americans account for only 9% of carbon emissions from gasoline whereas the wealthiest 20% of Americans account for 32% [9]. Because the rich lead a more fossil-fuel intensive lifestyle, returning all revenues as a dividend would result in ~2/3 of American households breaking even with most of those actually having money put in their pockets, and a clear incentive to increase their energy efficiency and reduce their use of fossil fuels [10]. Alternative uses for revenue-neutral carbon tax revenues could reduce the payroll tax, income tax, or corporate tax.

Their Claim: *The American Energy Alliance's ads claim that a carbon tax would push American jobs out of the country and into parts of the world with less regulation like China and India.*

The Truth: Any proposed carbon tax legislation that includes a WTO-compatible border adjustment [11, 12] protects American manufacturing by levying legal tariffs against carbon-intensive imports from countries without comparable carbon taxation policies in place. Having this border adjustment is important because it makes sure that domestic manufacturers are not put at a competitive disadvantage and forces manufactures in countries like India and China to pay the U.S. government for the privilege to pollute. Furthermore, clean energy manufacturing would create new jobs in America. As of 2011, half a million manufacturing jobs were classified as green jobs [13]. Jobs in the clean economy are particularly manufacturing-intensive, with about 26 percent of all clean-economy jobs being in manufacturing [14]. These tend to be high-quality jobs with median wages 13 percent higher than the U.S. Median [15]. Developing green manufacturing in America now will give U.S. companies a leg-up on the Chinese and Indian competition as market forces drive them to innovate and reduce their reliance on climate pollutants. Additionally, these countries' transition to less carbon intensive economies will open opportunities for American manufacturers to sell their solar panels and wind turbines to vast new markets. The green economy already supports more jobs than the fossil fuel economy, and has for years, even though renewable energy accounts for only 12.2% of our domestically produced energy [16].

Their Claim: *Because India and China produce more carbon than the United States, reducing the United States' carbon emissions won't help the environment. Climate change will happen anyway.*

The Truth: This is the American Energy Alliance's biggest lie of all. It is meant to make Americans feel disempowered in the battle to protect our planet. In fact, as citizens of the wealthiest and most powerful country in the world we have a huge capacity to change our present course of environmental destruction. A carbon fee will force China and India to also transition to a low-carbon economy in order to be competitive on the American market. For instance, with the border adjustment, America would collect and keep the fee on carbon-intensive imports instead of China or India if they imposed a matching carbon price at home, before the goods were exported. America needs to be a leader on this global issue, not only because we have a responsibility to future generations, but because it is the American thing to do.

Their Claim: *A carbon tax would cause output from non-energy-intensive and energy-intensive manufacturing sectors to drop 7-15% domestically, and cost Americans their jobs.*

The Truth: Policies that currently bolster the domestic production of clean energy goods can help renew the manufacturing industry while creating well-paying jobs and fostering a low-carbon economy that is "Made in America." Because domestic and international demand for clean energy goods is rising at such a rapid rate, focusing on clean energy manufacturing instead of doubling-down on the industries of yesterday will give the United States an advantage in the growing market. While the American Recovery and Reinvestment Act of 2009 helped create a huge demand for clean energy products here in the U.S. [15], it is clear that our domestic production can easily find foreign markets as well. The market for clean energy goods and services in China is booming, and more domestic manufacturing would place the United States in a position to capitalize on the trend of being a net-exporter of renewable energy products

Their Claim: *The impact of a $25 per ton carbon tax that rises at 5% a year would lead to an aggregate loss of more than 1 million jobs by 2016 alone.*

The Truth: This statement fails to account for the fact that as energy consumption from fossil fuels goes down, consumption from other energy sources (and jobs associated with them) will go up. Because fossil fuel jobs are in mature markets whose distribution system is already in place, and the opposite is true for renewables, investment in renewables will create more jobs faster. Oil and gas generated a total of 90,000 drilling jobs, 193,000 extraction jobs, and 286,000 support jobs by the end of 2012 for a total of 569,000 jobs [18]. Coal mining employed 87,520 individuals in May of 2012 [19]; i.e. 7.5% of West Virginia's working age population employed in coal mining in the entire country [20]. By contrast, as early as 2011 (the last year for which data are available), there were already 3.4 million Green Goods and Services (GGS) jobs, accounting for 2.6 percent of total US employment [21]. The wind sector employed an estimated 85,000 workers in 2009 [22], and in August 2010, an estimated 93,000 workers spent more than half of their work hours on projects related to solar power [23] though non-hydro renewable energy accounted for only 5.3% of all power generation [16]. From renewables to energy efficiency, America's transition to a clean energy economy is well underway and placing a price on carbon will help generate jobs and put Americans to work.

General Responses to Koch-Funded Misconceptions:

- A carbon tax is a free-market approach that doesn't pick winners and losers, but rather corrects the market by fixing the largest and costliest market distortion in the history of Mankind.
- Any carbon price that returns 100% of revenue raised back to the American people is most accurately termed a fee, not a tax. Such a fee doesn't grow government.
- A carbon fee (with 100% revenue recycling) and a carbon tax (which swells government coffers) are two completely different policies with completely different economic impacts, and should not be confused.
- Including a border adjustment compatible with WTO law is a free-market mechanism that protects American jobs and increases the competitiveness of American businesses abroad. This is all while increasing incentives to switch to energy sources that don't warm the planet that will ultimately ensure the long-term competitiveness of American businesses as the world switches from fossil fuels to renewable energy.

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