

Carbon Pricing and Dividends

A Bi-partisan Proposal Delivering Climate and Economic Benefits

Summary

Eight out of ten economists with climate expertise believe that carbon pricing is the most efficient way to follow through on our Paris Agreement pledge to cut carbon pollution. While the majority of Americans support stricter environmental regulations, the majority of Republicans are also concerned about the economic effects of these regulations. This is not an un-bridgeable divide.

While a recent proposal by eight Republicans of the Climate Leadership Council needs further analysis, it lays out a bi-partisan path to a carbon pricing and citizen dividends proposal. Their plan would initially price carbon at \$40 a ton, estimated to reduce U.S. emissions by 28% by 2025 (compared to an emissions reduction of 16% if all Obama Administration policies were left in place). All revenues raised would be paid to American families, with an average family of four receiving a dividend of \$2,000 in the first year. Compared to the House Republican's current tax plan which would concentrate benefits to top-earners, 70% of Americans would benefit economically under the dividends program. In addition, economic analysis of other carbon pricing and dividend plans reveal that they can result in the creation of millions of jobs and increased GDP.

This proposal creates a common sense framework to do the most impactful thing we can to address climate change while addressing economic concerns. The solutions can't wait any longer; we need real leadership from our elected representatives right now. We are asking you to publicly support the principles of this approach by signing the attached "Statement of Support on the Principles of Carbon Pricing and Dividends."

Environmental Regulations and Economic Cost Concerns

The number of Americans concerned about global warming is at an eight-year high, with 64% of U.S. adults saying they are worried a "great deal" or "fair amount" about global warming.¹ While a majority of U.S. adults (59%) support stricter environmental actions, the key roadblock to implementing transformative policies is the partisan divide: 78% of Democrats believe that environmental action is "worth the cost," while 58% of Republicans believe that it will "cost too many jobs and hurt the economy."²

¹"U.S. Concern About Global Warming at Eight-Year High". Gallup Annual Environment Poll. (March 16, 2016). Retrieved from: <http://www.gallup.com/poll/190010/concern-global-warming-eight-year-high.aspx>

² "Most Americans favor stricter environmental laws and regulations". Pew Research Center. (December 14, 2016). Retrieved from: <http://www.pewresearch.org/fact-tank/2016/12/14/most-americans-favor-stricter-environmental-laws-and-regulations/>

It is clear that any high-impact climate change solution proposed in this partisan reality will have to clearly address the economic concerns of the many Americans that voted for President Donald Trump and the Republican-majority Congress.

Pricing Carbon, #1 Tool to Mitigate Climate Change

Carbon pricing is a cost applied to carbon pollution to encourage polluters to reduce the amount of greenhouse gas they emit into the atmosphere, either by requiring producers to purchase emissions permits or by placing a fee on carbon pollution. Among economists with climate expertise, 95% believe that the US should follow through with its pledges to cut carbon pollution in the wake of the Paris Agreement and 81% said that carbon pricing would be the most effective way to do so.³ Nearly half of the national pledges to reduce emissions as part of the Paris Agreement included carbon pricing and 40 nations and 23 cities, states and regions are putting a price on carbon.⁴

Carbon pricing approaches: 114th Congress

Carbon pricing legislative proposals are not new to Congress. In the 114th Congress (2015-2016), six carbon pricing bills were introduced by Democrats: four proposing a fee on carbon pollution (H.R. 309, H.R. 2202, H.R. 4283, S.1548, and S.2399) and two proposing an emissions permit system (H.R. 972, H.R. 1027).⁵ Most proposals would set up a government fund of created revenues and allocate those funds to projects by the government and/or return the revenue to the American people through tax relief, social security, or other means. None of these bills included a Republican co-sponsor; recent attempts to include corporate income tax reduction as a use of revenues has not been successful at drawing bi-partisan support.

Bridging the Divide: Carbon Dividends

In February, 2017, a group of eight senior Republicans proposed the “Carbon Dividends Plan,” through the Climate Leadership Council, the most comprehensive proposal to date from Republicans to price carbon.⁶ The proposal included four primary elements:

³“Expert Consensus on the Economics of Climate Change”. Institute for Policy Integrity, New York University (NYU) School of Law. (December, 2015). Retrieved from: <http://policyintegrity.org/files/publications/ExpertConsensusReport.pdf>

⁴ “Carbon Pricing: Building on the Momentum of the Paris Agreement”. The World Bank. (April 15, 2016). Retrieved from: <http://www.worldbank.org/en/news/feature/2016/04/15/carbon-pricing-building-on-the-momentum-of-the-paris-agreement>

⁵“Know the Legislation”. Price on Carbon. (February 17, 2017). Retrieved from: <https://priceoncarbon.org/business-society/history-of-federal-legislation/>

⁶“The Conservative Case for Carbon Dividends”. Climate Leadership Council. (February, 2017). Retrieved from: <https://www.clcouncil.org/wp-content/uploads/2017/02/TheConservativeCaseforCarbonDividends.pdf>

1. *Carbon pricing on CO2 emissions only, steadily increasing from \$40/ton CO2.* It is estimated that this would reduce U.S. emissions by 28% by 2025, compared to an emissions reduction of 16% if all Obama Administration policies were left in place.⁷
2. *A carbon dividend of revenues raised in the same amount to all Americans with a valid Social Security Number.* The U.S. Treasury Department estimates that an average family of four would receive a dividend of \$2,000 in the first year, with 70% of Americans benefiting economically under the program.⁸ It is interesting to compare these benefits to the House Republican's current tax plan, which would concentrate benefits to top-earners, give the bottom 80% of Americans no more than a \$410 average 2017 federal tax savings, and greatly increase the deficit.⁹
3. *Address concerns on economic impact by incorporating border adjustments for the carbon content of both imports and exports.* This approach would protect American competitiveness by providing rebates on items exported to countries without carbon pricing and adding fees to imports from countries without carbon pricing.
4. *Roll-back of regulations put in place by the EPA, such as the Clean Power Plan, and possible release of tort liability for emitters.* While rolling back environmental regulations is anathema to Democrats, further analysis should be conducted around what current carbon emissions regulations would become 100% redundant if this plan were enacted.

Carbon Pricing and Dividends as Jobs Creator and Stimulus Plan

A carbon pricing and dividends plan would also have significant job creation and economic stimulus benefits. In examining a similar carbon pricing and dividends model proposed by Citizens' Climate Lobby, Regional Economic Models, Inc. found that instituting a carbon fee starting at \$10 ton/CO₂ and returning all revenue to American households through direct dividend payments would result in the creation of 2.1 million jobs over a decade and a \$1.375 trillion increase in Gross Domestic Product(GDP) over twenty

⁷ "A Winning Trade". Climate Leadership Council. (February, 2017). Retrieved from: https://www.clcouncil.org/wp-content/uploads/2017/02/A_Winning_Trade.pdf

⁸"Methodology for Analyzing a Carbon Tax".The Department of the Treasury. (January, 2017). Retrieved from: https://www.clcouncil.org/wp-content/uploads/2017/02/Treasury_Analysis.pdf

⁹"Treasury Nominee Vows No Tax Cut for the Rich. Math Says the Opposite". The New York Times. (February 9, 2017). Retrieved from: <https://www.nytimes.com/2017/02/09/business/economy/mnuchin-rule-tax-cut.html>

ty years.¹⁰ Given that the plan proposed by the Climate Leadership Council would institute a carbon fee of \$40 ton/CO₂, the job benefits and economic stimulus would be expected to be significantly greater.

Finally, it's important to note that as solar energy has already become cheaper than fossil fuels in many parts of the world,¹¹ putting a price on carbon may be the tipping point that makes renewable energy costs outcompete fossil fuels. In this regard, a carbon pricing plan should also be seen as a good jobs creation plan: catalyzing job growth in a clean energy sector that already employs 2.5 million Americans¹² with average wages that typically pay a higher wage than the median across the US.¹³

Conclusion

The majority of Americans believes climate change is a grave concern and would accept the cost of stricter regulations. At the same time, the majority of Republicans view the economic costs of stricter regulations to outweigh the benefits. A smart carbon pricing and dividends plan finds the middle ground between these concerns.

Crisis creates an opportunity. As Milton Friedman once observed, our basic functions are “to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable.” At this point in our nation’s history, we need real leadership from our elected representatives. We need our leaders to take a public stand on bold, common sense proposals for transformative change.

Will you join us and take a public stand in support of this issue? If so, we ask that you sign our “Statement of Support on the Principles of Carbon Pricing and Dividends.” America cannot remain in good standing as a world leader without leading on this issue.



The [Ecological Citizen's Project](#) (ECP) works to grow citizen-led campaigns to produce a more democratic, equitable, and sustainable way-of-life. We are supporting the community members of Citizen's Soapbox through non-partisan policy research and analysis.

¹⁰ “The Economic, Climate, Fiscal, Power and Demographic Impact of a National Fee-and-Dividend Carbon Tax”. [Citizens' Climate Lobby](#). (June, 2014). Retrieved from: <https://citizensclimatelobby.org/wp-content/uploads/2014/09/The-Economic-Climate-Fiscal-Power-and-Demographic-Impact-of-a-National-Fee-and-Dividend-Carbon-Tax-6.9.14.pdf>

¹¹“Renewable Energy Infrastructure Investment Handbook: A Guide for Institutional Investors”. [World Economic Forum](#). (December, 2016). Retrieved from: http://www3.weforum.org/docs/WEF_Renewable_Infrastructure_Investment_Handbook.pdf

¹²“Clean Jobs America”. [Environmental Entrepreneurs](#). (March, 2016). Retrieved from: http://www.e2.org/wp-content/uploads/2016/03/CleanJobsAmerica_FINAL.pdf

¹³“National Solar Jobs Census”. [The Solar Foundation](#). (January, 2016). Retrieved from: <http://www.thesolarfoundation.org/press-release-census-2015/>