



CONTACT: MARSHALL SAUNDERS, 619-435-7080

"The first axiom of economics is if you want less of something, you tax it. Obviously, we want less carbon, so we tax it."
— Rep. Jeff Flake (R-AZ)

Carbon tax needed now to slow climate change

With regard to global warming, there's an old quote from Israeli diplomat Abba Eban that seems most applicable: "Governments can be counted on to do the right thing, but only after they've exhausted all other possibilities."

But our world can't wait until all other possibilities have been exhausted. A new [analysis from the Massachusetts Institute of Technology](#) reveals a disturbing trend: If no policy changes are put in place, climate changes could be twice as bad as previously thought. The MIT study, running hundreds of computer simulations, indicated a median temperature increase of 5.2 degrees Celsius by 2100.

Such an increase, of course, would produce [catastrophes of biblical proportion](#) – rising ocean levels leading to coastal flooding, intense storms causing billions of dollars in damages, severe droughts causing massive famines that create hundreds of millions of "eco-refugees," the spreading of tropical diseases to more temperate areas.

The leading culprit in global warming, most scientists concur, is carbon dioxide emissions. Competing solutions to reduce CO² emissions have been introduced in the U.S. House. One of these – the carbon tax — can take effect immediately, reduce dependence on foreign sources of energy, create new jobs, and reduce CO² emissions. The other – cap and trade – will take years to implement, has shown little (if any) reduction in greenhouse gases, and create a speculative market similar to the financial slight-of-hand that has devastated the global economy.

Unfortunately, the cap and trade proposal is the measure being fast-tracked in the House right now, and could come up for a vote before the July Fourth recess. Americans deserve a robust debate on the merits of these two proposals, but unless the Ways and Means Committee quickly holds a hearing on the carbon tax bill, that debate will never be heard.

CAP AND TRADE

With Democrats controlling the House, the cap and trade proposal put forward in the American Clean Energy and Security Act appears to have all the momentum. Introduced by Henry Waxman (D-CA) and Ed Markey (D-MA), the legislation sets overall limits – the cap – for CO² emissions. It gives or auctions “credits” to polluters allowing so many tons of CO² emissions. Companies that don’t need all their credits (theoretically because they’ve succeeded in reducing their emissions) can sell those credits – the trade – to polluters who exceed their allotted credits.

The trouble with the Waxman-Markey bill is that it requires a complicated bureaucracy to monitor thousands of companies that will take years to negotiate and implement. With the clock ticking ever faster on global warming, these are years we can’t afford. Critics also doubt the reductions in CO² called for in the bill will be sufficient to make a difference. Economist [Robert Shapiro](#) points out that “the International Panel on Climate Change figures that the United States will have to reduce its greenhouse gas emissions by 2025 to 25 percent less than in 1990. The official line is that the bill would cut emissions in 2020 to 17 percent less than 2005 levels — and that comes to just 3 percent less than the 1990 levels.” The cap and trade system would also create a volatile market for carbon futures and derivatives trading that would cause the price of energy to fluctuate wildly.

CARBON TAX

A much better option on climate control is the carbon tax proposed in the Raise Wages, Cut Carbon Act (H.R. 2380). The bill, introduced by Rep. Bob Inglis (R-SC) and Jeff Flake (R-AZ), proposes a revenue-neutral tax on carbon – for every dollar raised by the tax, an equivalent dollar is returned to the consumer through income or payroll taxes, which would offset increased energy costs.

Over time, the tax will increase, creating a powerful incentive for companies to save money through non-carbon-based energy sources. As alternative energy becomes competitive with fossil fuels, the United States will import less foreign oil, making America less dependent on nations and regimes that don’t have our best interests at heart. Those “green” energy sources will also produce new jobs for Americans. The wind industry now employs more people (85,000) than the coal mining industry (81,000). Bottom line is that the shift to alternative energy, motivated by the carbon tax, will bring substantial reductions in greenhouse gases.

Leadership in Congress should give both of these proposals a fair hearing in the U.S. House. If members decide on the basis of merit, not party affiliation, the carbon tax is the clear choice to move us forward on stimulating employment, reducing dependence on foreign oil and decreasing CO² emissions.

More about the carbon tax

Six reasons carbon tax is superior to cap and trade

1. Carbon taxes will lend **predictability to energy prices**, whereas cap-and-trade systems will aggravate the price volatility that historically has discouraged investments in less carbon-intensive electricity generation, carbon-reducing energy efficiency and carbon-replacing renewable energy.
2. Carbon taxes can be **implemented much sooner** than complex cap-and-trade systems. Because of the urgency of the climate crisis, we do not have the luxury of waiting while the myriad details of a cap-and-trade system are resolved through lengthy negotiations.
3. Carbon taxes are **transparent and easily understandable**, making them more likely to elicit the necessary public support than an opaque and difficult to understand cap-and-trade system.
4. Carbon taxes can be implemented with far **less opportunity for manipulation** by special interests, while a cap-and-trade system's complexity opens it to exploitation by special interests and perverse incentives that can undermine public confidence and undercut its effectiveness.
5. Carbon taxes **address emissions of carbon from every sector**, whereas some cap-and-trade systems discussed to date have only targeted the electricity industry, which accounts for less than 40% of emissions.
6. Carbon **tax revenues would most likely be returned to the public** through dividends or progressive tax-shifting, while the costs of cap-and-trade systems are likely to become a hidden tax as dollars flow to market participants, lawyers and consultants.

— From Carbon Tax Center
www.carbontax.org

What they're saying

“I’m really astonished [about the Waxman-Markey climate bill], because I would have thought they would have gone for a carbon tax. I mean, [cap-and-trade isn’t] going to work. It’s too complex. It’s too easily manipulated politically... Most people who know anything about this subject and its administrative feasibility say that a carbon tax is far better.”

Ralph Nader

New York Times [Green, Inc. blog](#), May 11, 2009.

“As a businessman it is hard to speak favorably about any new tax. But a carbon tax strikes me as a more direct, a more transparent, and a more effective approach [than a cap-and-trade system]. It avoids the costs and complexity of having to build a new market for securities traders or the necessity of adding a new layer of regulators and administrators to police companies and consumers.”

Rex Tillerson, chairman and CEO of ExxonMobil

From a January 8, 2009 speech at Woodrow Wilson International Center for Scholars, Washington, D.C.

“Implementing a revenue neutral carbon tax is the most effective way of internalizing the real costs of burning fossil fuels and providing the pricing signal that will modify consumer behavior. A carbon tax rather than a cap and trade program will provide the best chance of ensuring a more rapid path to this sustainable future.”

Jim Gordon, CEO, Energy Management, Inc.

Developer of the Cape Wind windmill project in Nantucket Sound, personal communication to the Carbon Tax Center, March 29, 2008

