



Citizens' Climate Lobby

Teaching opportunities from House Concurrent Resolution 119 (H.Con.Res.119)

Introduction: H.Con.Res.119 "Expressing the sense of Congress that a carbon tax would be detrimental to the United States economy", was introduced by Rep. Scalise on April 26, 2018. The resolution is non-binding, meaning that it has no real effect on Congress' ability to pass a carbon tax. It is purely symbolic.

Unfortunately, it is primarily symbolic of misunderstandings about what a carbon tax is and what, when revenue-neutral, it can do for our economy. Ultimately, this will make it more difficult to pass market-friendly, small government solutions to climate change. What follows are each of the 15 points in that resolution, as well as some suggested responses for educating members of Congress about Carbon Fee and Dividend specifically.

1- Whereas a carbon tax is a Federal tax on carbon released from fossil fuels;

Though when [revenue-neutral, it is most accurately called a fee](#), academically speaking it is a type of carbon tax. However, this is preferable to a state by state patchwork of carbon pricing policies.

2- Whereas a carbon tax will increase energy prices, including the price of gasoline, electricity, natural gas, and home heating oil;

Yes, energy prices will rise due to the pricing of externalities that are currently excluded in present prices. The positive side of this is that CF&D will help with these rising prices thanks to the dividend part of the policy. According to our recent [Household Impacts Study](#), 53% of American households benefit outright with our policy, even after accounting for higher prices from energy and other goods.

3- Whereas a carbon tax will mean that families and consumers will pay more for essentials like food, gasoline, and electricity;

Yes, some essentials will have a higher price, but the same argument goes as for #2. CCL's policy will allow individuals to keep up with rising costs of goods thanks to its dividend. Those 53% of households include 58% of individuals, since the policy tends to benefit families with children. An additional 19% of households experience only a minor loss, defined as a net loss worth less than 0.2% of annual income. That's 72% of households experiencing a net benefit or minor loss. If we consider this small cost, the long-term positive outcome of a clean energy economy as well as healthier and more stable environment far outweighs the change on prices of goods.

4- Whereas a carbon tax will fall hardest on the poor, the elderly, and those on fixed incomes;

Here again, the [Household Impacts study](#) provides useful perspective. It specifically examines the impact that a CF&D policy would have on demographic groups, including low-income families and the elderly. In fact, the carbon fee that CCL proposes benefits a large majority of low-income families (82% of households within 200% of the Federal Poverty Line) as well as elderly households (57%).

A [2017 report](#) from the Office of Tax Analysis at the Department of the Treasury actually found more positive results, with ~70% of households benefiting, including each of the bottom 7 income deciles. What this means is that even though energy prices may rise for these households, the dividend payments they receive will more than offset that increase for the vast majority, so that they are left financially better off with the policy and also able to keep up with the rising energy prices while we transition towards a cleaner energy sector and economy.

5- Whereas a carbon tax will lead to more jobs and businesses moving overseas;

Actually, there's good reason to believe that this will not happen. A study of the economic effects of a CF&D policy, the [REMI report](#), shows that CCL's proposed policy will lead to an increase in employment in the United States. It is predicted that in 20 years, 2.8 million jobs will be added to the economy (refer to REMI figure 3.3, p.20). Another reason why jobs will not move overseas is because CF&D will implement a border carbon adjustment, which will give businesses no incentive to relocate to countries where they can emit more CO₂. Imports that are highly carbon intensive will be subject to a fair and equivalent tariff while exports will be refunded, thus leaving an incentive for businesses, as well as jobs, to stay in the country.

6- Whereas a carbon tax will lead to less economic growth;

Studies suggest that a revenue-neutral carbon fee will help economic growth in a more sustainable and eco-friendly way. In fact, the [REMI report](#) found that by 2025, the CF&D policy would increase national GDP by as much as \$80 to \$90 billion per year. As stated in #5, CF&D will increase the number of jobs in the economy. The dividend part of the policy will incentivize consumers to spend more. Since the money collected will go back to households, the consumers will boost the economy since they are able to keep up with the rising prices (Refer to REMI figure 3.5, p.21).

7- Whereas American families will be harmed the most from a carbon tax;

On the contrary, there is good reason to be certain that this will not happen and that a majority of American families will benefit from pricing carbon. The [Household Impacts study](#) found that 53 percent of households, and 58 percent of individuals, were made financially better off with the policy. The reason for the difference is that households with children benefit a bit more from the dividend formula CCL advocates for.

8- Whereas, according to the Energy Information Administration, in 2016, fossil fuels share of energy consumption was 81 percent;

Yes, this fact was true for the [year of 2016](#), when renewables accounted for 10.5% of energy consumption. However, what may be more important than where people got their energy from in any particular year is the change from the year before. In a [recent United Nations report](#), renewables accounted for a majority of new electricity-generating capacity around the world. In 2017, renewable power made up 19% of global power capacity. The same report shows that 10.3% of all electricity generated around the world in 2015 was from renewables, double the amount of 2007 (source: [editorial from the New York Times](#)). Over half the investment in renewables that year came from developing countries. This indicates the future of energy is in renewables, and America does not want to be left behind. We believe the US can lead this transition, not lag behind it.

9- Whereas a carbon tax will increase the cost of every good manufactured in the United States;

Yes, a carbon tax will do this since the higher cost of production will be reflected on the prices of energy costs and other goods. However, it is important to realize that the more our ongoing transition to renewable energy progresses, the less this will be true. Additionally, this is exactly why CCL includes a dividend, to help with the rise of prices on these goods. There is no fixed number for this increase and not all goods are going to be affected the same way. There are a few considerations to be made, specifically on how the good is produced and how much carbon is used to produce it. Again, even after accounting for this rise, 72% of households in the US experience a net benefit or only a minor loss.

10- Whereas a carbon tax will impose disproportionate burdens on certain industries, jobs, states, and geographic regions and would further restrict the global competitiveness of the United States;

It is true that a carbon tax will make some job industries, in particular, fossil fuel-related industries, less well off than others. On the more positive side, it is also true that other sectors of the economy will thrive due to the CF&D policy, with the most growth occurring in the service sector. This shift in jobs will increase the total number of jobs in the economy, by more than 2.8 million over the next 20 years according to the [REMI study](#).

In regards to the global competitiveness of the US, the CF&D policy includes a border carbon adjustment. This discourages companies to relocate to places overseas where they could emit more CO₂ as well as encourages other nations to follow suit on a similar policy to price carbon. (Refer to #8). This provides for more job security in the US, a more sustainable economy and more eco-friendly consumers.

As for geographic regional burdens, some areas will face more burdens than others, but due to the fact that only about 36% of the average American's fossil fuel use is from direct emissions (i.e. turning on the lights or filling the tank) and [64% of our fossil fuel](#)

[consumption comes from indirect use](#), 54% of rural households come out ahead with CF&D vs a national average of 53% due to their low indirect carbon costs.

11- Whereas American ingenuity has led to innovations in energy exploration and development and has increased production of domestic energy resources on private and State-owned land which has created significant job growth and private capital investment;

There's good reason to be confident that American innovation will increase with a carbon fee. By placing a price on carbon, the CF&D policy creates an incentive for new technological advances and developments. Since the energy derived from fossil fuels would become more expensive, the energy sector will innovate towards cleaner, more efficient, and cheaper energy. This will not only make our energy grid cleaner and more efficient, but will also save lives. The energy industry understands this, which is why many American oil companies, collectively accounting for 19% of US [market capitalization](#) in the energy sector, [already use an internal carbon tax](#). They know that carbon taxes work to spur innovation, and they're already using this effective instrument to stay competitive.

12- Whereas United States energy policy should encourage continued private sector innovation and development and not increase the existing tax burden on manufacturers;

By putting a price on carbon, CCL's policy helps propel private sector innovation by creating an incentive for new technological advances and developments. Since we all want clean air and water, developing greener, renewable energy resources is an important step to take. CF&D helps maximize technological innovation, and can spur advances that make US firms world leaders in renewable energy production. (Refer to [REMI](#) fig. 3.8, p 23 and fig. 3.9, p. 24)

It is also important to add that the border carbon adjustment would protect domestic manufacturers and allow them to remain competitive.

13- Whereas the production of American energy resources increases the United States ability to maintain a competitive advantage in today's global economy;

A carbon fee would actually help the production of US energy resources thanks to the border tax adjustment that CF&D advocates for. See #5, #10 and #14.

Around the world, there are many economically competitive countries that have already put a price on carbon or are considering doing so soon. In fact, 7 of the 10 largest economies in the world have a carbon tax or cap and trade system planned or already in place. The US will lose its competitive advantage if it does not price carbon as well. America wants to lead on clean energy, and a carbon fee would help the US achieve exactly that. (Refer to [global carbon pricing laser talk](#)).

14- Whereas a carbon tax would reduce America's global competitiveness and would encourage development abroad in countries that do not impose this exorbitant tax burden;

Thanks to the [Border Carbon Adjustment](#) (BCA) that CF&D will implement, the US will remain competitive around the world and keep American jobs in the country. The BCA discourages companies from relocating to places overseas where they could emit more CO2. However, there are fewer and fewer places around the world that do NOT have a carbon price planned or in place. All our biggest trading partners certainly do (#13). It is important to note that the rest of the world is clearly interested in renewables, (refer to #8 and #13) and America does not want to be left behind in the renewable energy sector.

15- Whereas the Congress and the President should focus on pro-growth solutions that encourage increased development of domestic resources

A carbon fee the way CF&D wants to implement it is exactly that: pro-growth. It is market oriented and boosts the economy, increases US jobs, increases US competitiveness, all while creating a cleaner and healthier environment. It is a win for everyone.

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