

It's time to put a price on climate change pollution

MOVING TO A CLEAN ENERGY FUTURE FOR MASSACHUSETTS

The threat from global warming

Climate change – also called climate disruption – is the greatest environmental threat facing the planet. It already has begun raising sea levels, causing droughts and floods to worsen, and making storms more intense.

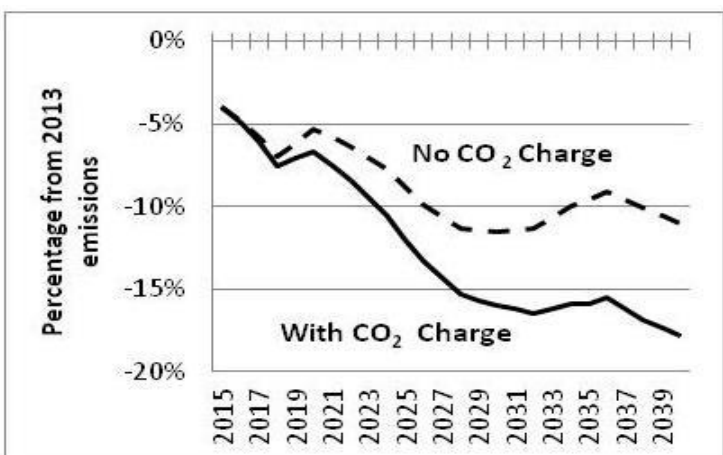
Goal: cut climate pollution

The Global Warming Solutions Act requires that we cut global warming pollution (primarily carbon dioxide, or CO₂) to 25% below 1990 levels by 2020 and to at least 80% below 1990 by 2050. This will require a dramatic shift from fossil fuels to clean energy such as solar and wind, while greatly improving the efficiency of our energy use.

How: put a carbon pollution charge on fossil fuels

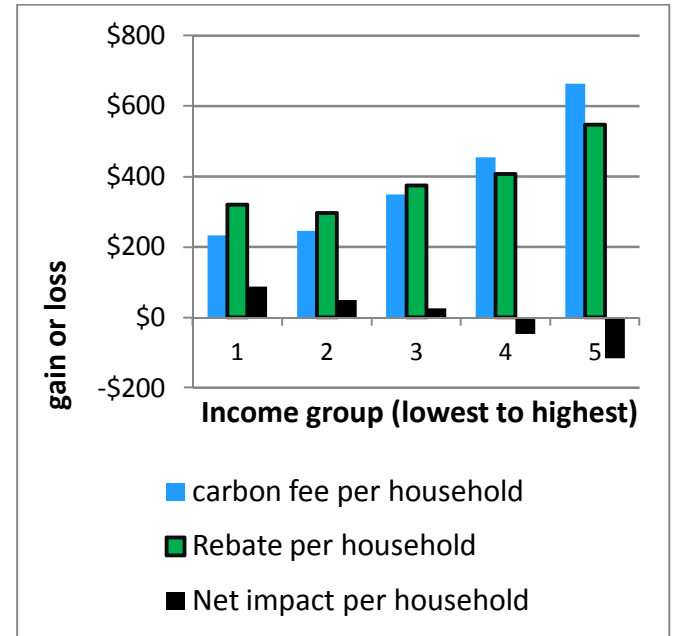
Most economists, from conservative to liberal, agree that the most cost-effective way to cut carbon pollution is to add a pollution charge to fossil fuel prices. Such a charge would give energy producers and consumers a strong incentive to shift from fossil fuels to clean energy – while having the freedom to decide how to do so. A carbon charge will not be enough, however. We also need to strengthen other state and federal policies on climate change.

Emissions with a CO₂ Charge Versus No Charge (electricity exempt)



Net Impacts On Households at Different Income Levels

(Bottom 20% = Group 1 to Top 20% = Group 5)



What to do with the revenue

Return most of the money to the public; use some for programs that create good jobs and reduce CO₂ emissions.

Two bills that would institute carbon pricing have been introduced in the MA legislature:

Senator Mike Barrett is sponsoring Senate 1747, “An Act Combating Climate Change,” which has 44 co-sponsors. The revenues from a pollution charge on fossil fuels would go into a dedicated fund (electricity generation would be exempt because it is already covered by other programs). All the funds would be returned to the public. Every state resident would receive an equal rebate, and employers would get rebates based on their number of employees. Additional rebates would go to households in areas where it’s necessary to drive substantially more than average, and to businesses that are energy-intensive and face stiff out-of-state competition.

On average, people and employers would receive rebate payments that would fully offset the higher

cost of natural gas, gasoline, and fuel oil, and low- and moderate income households would come out ahead because they use less energy than wealthier households. People and employers who reduced their use of fossil fuels would benefit because they would pay less in carbon charges while receiving the same rebates as everyone else.

Senator Marc Pacheco is sponsoring Senate 1786, which, with strengthened wording, could also create a carbon pricing system. Rather than rebate all the funds as in Senate 1747, Senate 1786 would use 20% of the revenues for climate-change related programs that create jobs, such as energy efficiency and public transit.

Impacts of carbon pricing

Pollution will fall – the CO2 pollution that causes climate disruption would be cut by more than almost any other single policy that the state operates now or is considering.

Households and businesses will be protected – modeling shows that we could give back to low-and moderate-income households at least as much money as they would pay in higher costs for fossil

fuels. After getting rebates, almost all businesses would face quite small changes in their net costs, positive in some cases, negative in others.

Employment will rise – because MA would spend far less money on imported fossil fuels, and instead spend more on in-state businesses, several thousand jobs would be created. Many of these jobs, however, are projected to pay low wages. To counteract this, part of the fee revenues should be reinvested in high-wage industries.

The economy will benefit – impacts on the overall state economy would be small but positive, with gains in important measures such as average personal income.

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Sources: All figures derived from “Analysis of a Carbon Fee or Tax as a Mechanism to Reduce GHG Emissions in Massachusetts,” Scott Nystrom et al, prepared for the MA Dept. of Energy Resources, December 2014. Go to: <http://www.mass.gov/eea/docs/doer/fuels/mass-carbon-tax-study.pdf>

Employment Change versus Baseline (electricity exempt from CO2 charge)

With three scenarios for the rate of increase in the carbon fee after year five: the low scenario reaches \$50/ton in 2040, the medium scenario \$75/ton, and the high scenario \$100/ton.

