Climate X Change

MASSACHUSETTS INTERFAITH POWER & LIGHT

Carbon Pricing: The Basics

The threat from climate change

Climate change 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. Greenhouse gas emissions, mainly carbon dioxide (CO_2), are the primary cause of climate change.

Why carbon pricing?

Most economists, from conservative to liberal, agree that the most cost- effective way to cut carbon pollution is to charge sellers of fossil fuels for the pollution their products cause. 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.

Legislation Proposed in Massachusetts

Two bills have been proposed in the 2015-16 legislative session: **Senate 1747**, sponsored by Senator Mike Barrett and 34 co-sponsors, has a detailed design for carbon pricing. **Senate 1786**, by Senator Marc Pacheco remains to be fleshed out. Senate 1747 would put charges on fossil fuels according to the amount of carbon dioxide that they release when burned. S1747 would return all the fee revenues to the public, making it "revenue neutral" to the state government. This approach provides the incentive to cut carbon emissions without increasing state taxes.

How would the charges be levied?

In S1747 the charges would be imposed on wholesale distributors of gasoline, diesel fuel, heating oil, natural gas, and other fossil fuels. Fuel used for electricity generation would be exempt because it is covered by another system, the Regional Greenhouse Gas Initiative.

How would funds be returned to households and businesses?

The revenues taken in from sales of fossil fuel used by households would be returned via an equal rebate to every resident of Massachusetts. Revenues from sales to businesses and other institutions would be returned to them in proportion to their number of employees.

What about people who live in rural areas and need to drive a lot?

S1747 would give an additional rebate to all households who live in municipalities where average miles driven is at least 30% higher than the state average.

How would carbon pricing affect the Massachusetts economy?

The combination of fees and rebates will result in the lower 60% of households coming out ahead, while the upper 40% will come out slightly behind. Overall employment in the state will increase, and impacts on most businesses will be small – positive for the state's largest business sectors and negative for a few energy-intensive sectors.

Has this been done anywhere else?

Carbon pricing of different types exists in most of the industrialized world, including Europe, California, and eight northeast U.S. states (including Massachusetts) for electricity through the Regional Greenhouse Gas Initiative.

Since 2008 the Canadian province of British Columbia has successfully used a system that is similar to Senate 1747, in that it is revenue-neutral, returning all fees to the public. Since the fee was instituted, fuel use in British Columbia has dropped by 16%.

For more information: www.Climate-XChange.org or www.MIPandL.org