

An Act Combating Climate Change

Senate Docket 1021

*Senator Mike Barrett
(D-Lexington)*

The threat from global warming

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.

Goal: Cut climate pollution

Massachusetts state law requires that we cut greenhouse gas emissions (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: Add a carbon pollution fee to fossil fuel prices

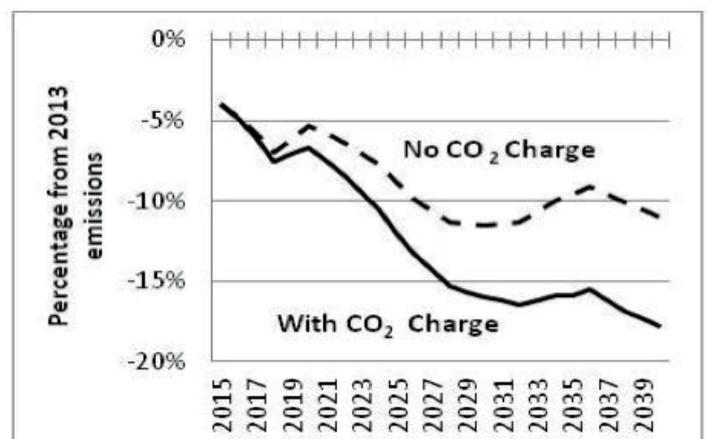
The vast majority of economists, from conservative to liberal, agree that the most cost-effective way to cut carbon pollution is to add a pollution charge to fossil fuel prices (electricity generation would be exempt because it is already covered by other programs). Such a charge would give energy producers and consumers a strong incentive to shift from fossil fuels to clean energy – while having the freedom to decide how to do so.

Return the money to households, businesses, and institutions

We need a strong price incentive to cut use of fossil fuels, but the government doesn't have to keep the money. Instead, the bill would return the money to households and businesses, so that their living standards and competitiveness are protected. For the CO₂ charges paid by people, each state resident would receive an equal share of the total money collected. For charges paid by businesses and other institutions, each would get a rebate in proportion to its share of total employment in Massachusetts.

Additional rebates would be provided 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.

Carbon Dioxide Emissions With a CO₂ Charge Versus No Charge



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Senate Docket 1021, sponsored by Senator Mike Barrett

Impacts

Pollution will fall

The CO₂ pollution that causes climate disruption would be cut by more than any single regulatory 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.

Employment will rise

Mainly because the bill would cause Massachusetts to spend billions of dollars less on importing fossil fuels, and instead spend more on in-state businesses, several thousand more jobs would be created due to the carbon fee.

The economy will benefit

There would be little overall impact on the state economy, with small gains in important measures such as average personal income.

Employment Change versus Baseline

With 3 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.

