



Create a Clean Energy Future for Massachusetts

CUT CARBON POLLUTION THROUGH A FEE AND REBATE SYSTEM



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Tackling climate change is the greatest challenge and the greatest economic opportunity of our generation.

Massachusetts can reap the benefits of stimulating the clean energy economy while reducing the costs of future climate change impacts. The sooner we act to reduce carbon pollution (air emissions of carbon dioxide from burning fossil fuels), the greater the benefit.

“...let’s level the playing field for competing sources of energy so that costs imposed on the community are borne by the sources of energy that create them, most particularly carbon dioxide. A carbon tax, starting small and escalating to a significant level on a legislated schedule, would do the trick. I would make it revenue-neutral, returning all net funds generated to the taxpayers...”

“A Reagan approach to climate change,” George P. Shultz
(Secretary of State from 1982 to 1989), *Washington Post*, 3/13/15

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A market-based solution to reduce carbon pollution

Both conservative and liberal economists agree that pricing carbon pollution is the most economically efficient way to cut emissions. Forty-two members of our legislature have co-sponsored An Act Combating Climate Change, which would place a fee on carbon pollution and return all the proceeds to residents and employers. This bill will:

- Reduce carbon pollution and improve public health
- Create thousands of jobs and strengthen the economy
- Safeguard business competitiveness
- Protect low- and moderate-income households
- Further demonstrate Massachusetts' leadership and set a precedent for other states' and federal action

How It Works

A dedicated fund, separate from the general state treasury, is created. Then a carbon pollution fee is applied at the wholesale level to fossil fuels (oil, natural gas, gasoline) based on the amount of pollution they create. Unlike a tax, the fee and rebate would be revenue-neutral to the state government—all proceeds would be returned to residents, businesses, and institutions.

- The fee is \$10/ton in the first year, increasing \$5/ton per year until the rate is \$40/ton.
- Electricity production is exempt because it is already covered by the Regional Greenhouse Gas Initiative.
- In aggregate, each group—residents and businesses—receives approximately the same share of rebates that they pay in as a whole.
- Each Massachusetts resident will receive the same rebate amount, except that residents of rural communities will receive an additional amount because they drive more, on average.
- Businesses and other institutions will receive rebates in proportion to their number of employees.
- Residents and businesses can reduce the fees they pay by switching to cleaner fuels and becoming more energy efficient. But regardless, the amount of their rebate will not be reduced.
- Salaries of the Governor and other top officials will be reduced by 15% if all of the money collected is not rebated to businesses and citizens.

“We’re staring down a climate bubble that poses enormous risks to both our environment and economy. . . . The solution can be a fundamentally conservative one that will empower the marketplace to find the most efficient response. We can do this by putting a price on emissions of carbon dioxide—a carbon tax . . . will unleash a wave of innovation to develop technologies, lower the costs of clean energy and create jobs...”

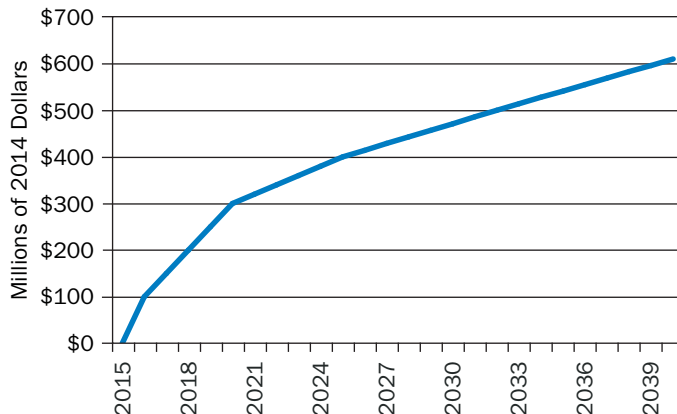
“The Coming Climate Crash: Lessons for Climate Change in the 2008 Recession,” Henry M. Paulson Jr. (Secretary of the Treasury, 2006–2009 under President George W. Bush), *New York Times*, June 21, 2014

Benefits to Businesses and Households

An independent analysis of implementing this policy in Massachusetts¹ showed that:

- Jobs and Gross State Product (GSP) will grow due to the fee & rebate.
- For most industries, the impact will be small gains. Even for those industries where the impact is negative, it is small—net costs may rise from 1/10th to 4/10th of 1% of total expenses.
- Clean energy companies, which already employ more than 88,000 workers in the state,² can feel more confident of the future market for their products.
- On average, low- and moderate-income households will come out ahead from the combination of fee and rebate.
- Reducing carbon pollution means better health for everyone. Air pollution causes respiratory ailments like asthma and bronchitis, heightens the risk of heart disease and cancer, and burdens our healthcare system and businesses with preventable medical costs.
- Businesses and individuals will have the freedom to choose if and how they reduce carbon consumption.

Gross State Product — Increases Due to Fee & Rebate Policy



¹ "Analysis of a Carbon Fee or Tax as a Mechanism to Reduce GHG Emissions," study done for the MA Dept. of Energy Resources, Dec. 2014, at: <http://www.mass.gov/eea/docs/doer/fuels/mass-carbon-tax-study.pdf>

² <http://www.masscec.com/content/2014-clean-energy-industry-report>



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YEAR ONE:
On track to
38% reduction
in annual
energy
use

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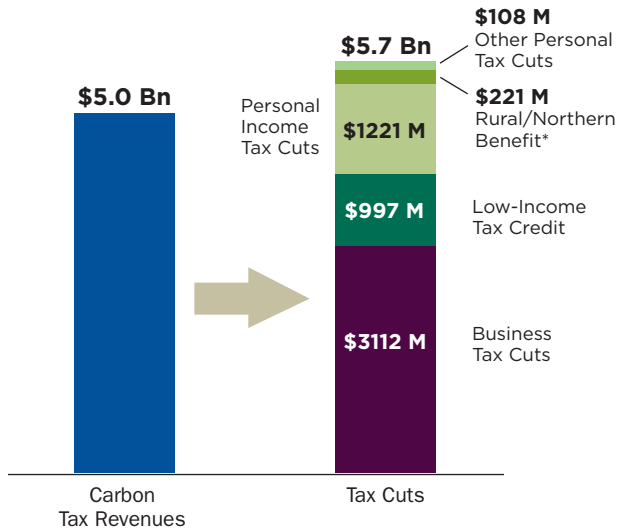
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Among other things, carbon pricing will raise the demand for energy-efficiency improvements.

Why It Works

- Because we are at the end of the fossil fuel pipeline, we send about \$20 billion a year out of the state to pay for fossil-fuel based energy, creating jobs elsewhere.
- By reducing fossil fuel consumption in MA, we reduce the dollars sent to places like Venezuela and Texas for fuel imports. This keeps more money here at home for consumers and businesses to spend in sectors like home improvements and health care, which are inherently local.
- Every individual and business has an incentive to reduce the fees they pay by switching to cleaner fuels and becoming more energy efficient. Yet they will still receive the same dollar rebate, providing a net increase in their incomes.

Cumulative British Columbia Carbon Tax Revenues and Tax Cuts, 2008–2014



* In British Columbia, the Northern part of the province is the more rural part.
Source: BC Budgets 2008–2013



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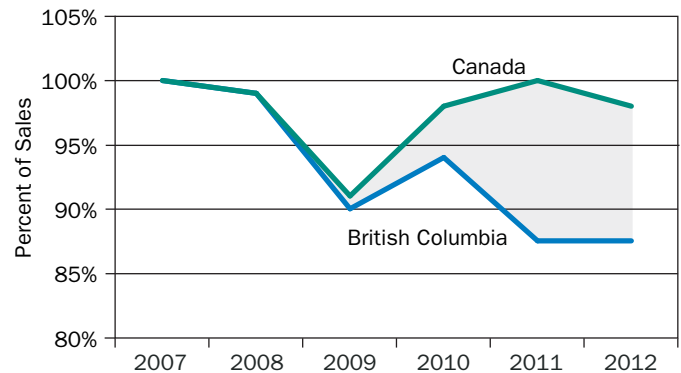
Proof that Revenue-neutral Carbon Pricing Works

- The Canadian province of British Columbia (BC) provides a successful real-world example, having instituted revenue-neutral carbon pricing in 2008.
- Between 2008 and 2014, fuel consumption in BC fell by 16.1%.³
- Yet GDP growth in BC is slightly higher than Canada as a whole; corporate income taxes have been cut by 17%; and personal income taxes are tied for the lowest in Canada.
- The policy enjoys majority approval and the party that introduced the policy has won both elections held since it took effect.⁴

³ <http://cleanenergycanada.org/2014/12/11/proof-positive-mechanics-impacts-british-columbias-carbon-tax>

⁴ “BC’s Carbon Tax Shift After Five Years: Results—An Environmental (and Economic) Success Story,” Dr. Stewart Elgie and Jessica Mcclay, *Sustainable Prosperity*, July 2013

Sales of Refined Petroleum Products Per Capita (2007 = 100%)



Source: CANSIM 134-0004, 051-0001

An Opportunity to Continue MA Business Leadership and Wisdom

- Massachusetts has a tradition of leadership on major issues from abolition to women’s suffrage to healthcare. We can make history again by demonstrating that this innovative policy will not only reduce emissions but also improve our economy. This will help move policy forward in other states and at the federal level, while influencing the global discussion.