

## Carbon Pricing in North America

Despite the resistance to putting a price on carbon at the [U.S. federal level](#), carbon pricing is gaining momentum in Canada, Mexico and within states and regions of the U.S.. Canada is requiring carbon pricing in all provinces by 2018, and Mexico has both a carbon tax and is beginning implementation of cap and trade, with trading to be across North America (California, Quebec, Ontario, Mexico, and possibly Washington). In addition to the California, Washington, and RGGI cap and trade programs, which are in force in the U.S., other states are pushing for some form of carbon pricing.

### United States

**California** began its cap and trade system in [2011](#), but has been hampered by litigation since 2013. California upped their emissions reduction target to 40% below 1990 levels by 2030 with the passage of SB 32 in 2016. To help reach that ambitious goal, there are rumors of adding a carbon tax, but no specific proposals have been made to date.

**Washington** state passed the [Clean Air Rule](#) in September 2016, instituting what is essentially cap and trade on large stationary emission sources.

**RGGI:** The Regional Greenhouse Gas Initiative ([RGGI](#)) is a cooperative effort among the nine states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont to cap and reduce CO<sub>2</sub> emissions from the electric power sector. It has been in operation since 2009. Each state determines how to use the revenues raised; most have invested in energy efficiencies with [good success](#).

**[Progress in Other States:](#)** Efforts to put a price on carbon through legislation or ballot initiatives are gaining momentum in Massachusetts, Vermont, Rhode Island, New York, Oregon, Washington, and Utah.

- **Massachusetts** has both a revenue neutral proposal and a partially revenue positive proposal for a carbon tax, which are on the legislative docket for 2017.
- **Vermont** has a growing push for a carbon tax, and, of course, the support of Senator Bernie Sanders.
- **Rhode Island** is pushing for a carbon tax. Senator Sheldon Whitehouse has introduced [federal legislation](#) as well.
- **New York** has put forward legislation for a carbon tax and also legislation to reduce emissions using both cap and trade and carbon tax as tools.
- **Oregon** legislators have proposed but failed with both carbon tax and cap and trade. The 2016 Oregon legislature requested that the state Department of Environmental Quality (DEQ) do [a study](#) on how a market-based approach – specifically cap and trade – would work in Oregon. It will be presented to the legislature in February, 2017.
- **Washington:** In addition to the [Clean Air Rule](#) which established cap and trade in 2017, Initiative 735 (a revenue neutral carbon tax) was on the ballot for the 2016 general election. It failed, at least partially because of a [split in support from environmental groups](#), some of whom wanted the proposal to be, at least in part, revenue positive, with revenues used for renewable energy, green infrastructure projects, and projects to alleviate the burden of pollution and climate risk in communities of color.
- **Utah:** A [press release](#) announced that a fee and dividend would be proposed in the 2017 legislative session.

## Canada

Canada has just announced a national framework to put a price on carbon emissions with flexibility for each province. Prime Minister Justin Trudeau announced the policy in October 2016. The proposal is for an initial price of \$10 (Canadian) per metric tonne of [CO<sub>2</sub>e](#), to increase annually by \$10/tonne to reach \$50 in 2022. Provinces will have until 2018 to adopt a carbon pricing scheme, or the federal government will impose a pricing system for them.

Currently there is a carbon tax in [British Columbia](#), instituted in 2008, and [Alberta](#) has just implemented a carbon levy (tax) of \$20 (Canadian)/tonne in 2017 and \$30/tonne in 2018. In both provinces, the tax is on gasoline, diesel fuel, natural gas and propane. Cap and trade is the pricing mechanism in Quebec and Ontario. [Quebec](#) began its program in 2014 and [Ontario](#) implemented in January, 2017. Both are, or will be, trading in a joint market with California as part of the [Western Climate Initiative](#).

# Mexico

Mexico instituted a federal [carbon tax](#) as part of a broad fiscal reform approved by its Congress in 2014. The tax is on liquid transportation fuels, and on coal when used for transportation. Jet fuel is excluded. The average tax started at \$3.7US/ tonne CO<sub>2</sub>e and increases with inflation. Mexico also launched a pilot cap and trade program in November 2016, with full implementation expected in 2018. Mexico [announced](#) that as part of cap and trade, they will join the growing North American market for carbon allowances with Quebec, Ontario, and California in the [Western Climate Initiative](#) (WCI). Other possible partners in the WCI include Washington state, Colombia and Chile.