



# Promoting Effective Action on Carbon Pricing

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## LWVUS 2018 Convention Caucus Promoting Effective Action on Carbon Pricing

*For electronic copies of this packet go to [PriceonCarbon.org](http://PriceonCarbon.org)  
and search League of Women Voters*

# LWVUS Position on Carbon Pricing

The League of Women Voters stands united with, and in support of, efforts to price carbon emissions, whether **cap-and-trade, carbon tax/fee**, or another viable pricing mechanism. The League does **not have a position on** how the **revenue** generated is to be used.

We do not espouse any single method of pricing carbon over another. We will evaluate all proposed methods based on their **effectiveness** to abate emissions and whether the method can be **successfully implemented**.



# PRICE ON CARBON

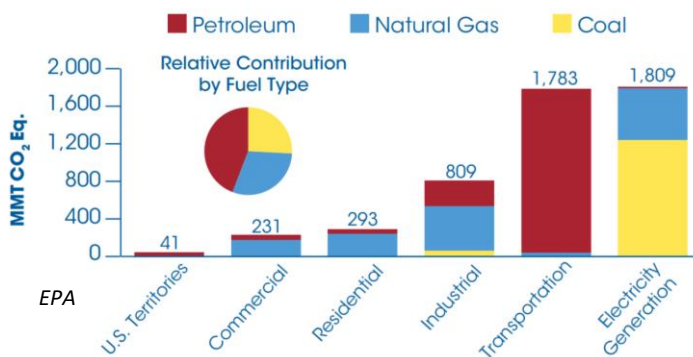
Putting the Market to Work

[PriceonCarbon.org](http://PriceonCarbon.org)

What can we do to decrease carbon emissions and not hurt our economy? We can put a price on carbon and release the powerful forces of the marketplace. Let the market work to decrease demand, drive down emissions and grow innovations and alternatives, while at the same time growing jobs. That future is exciting – and profitable.

## What Are Emission Sources?

U.S. 2016 greenhouse gas emissions were 76% from fossil fuels, mostly from electricity generation, followed closely by transportation and then industrial.



## Will It Hurt our Economy?

We have to keep our economy strong — that’s a given. Beyond the obvious reasons of keeping people working and keeping investment growing, keeping the economy strong is needed for the significant investment we’ll need for the transition to alternatives.

The fossil fuel industry will indeed suffer, but the economy as a whole need not. Growth in alternatives can replace jobs in fossil fuels, and the energy needed to support our economy can continue to be available.

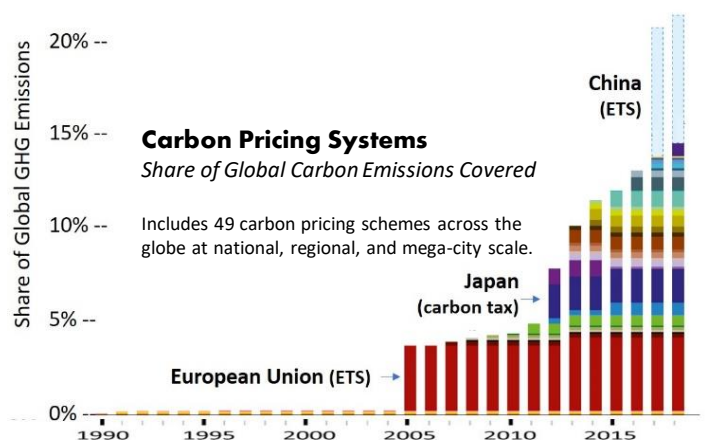
Further, the cost to our economy – from storms, sea level rise, health and other effects – will be even bigger if we don’t take aggressive action to reduce emissions.

**Change opens the door to opportunities.** With efficient pricing systems, our economy can even grow robustly.

## Does It Work?

Over 60 national or regional carbon pricing systems are active around the globe, and average emissions are decreasing in the areas affected.

In order to work, the cost to emit must be large enough to make an impact. That means the cap must be low enough or the tax/fee high enough (in the \$40-80 range and higher) always guarding the economy.



## Pricing Carbon Reduces Emissions

Putting a price on fossil fuel emissions reduces the biggest source of GHG emissions. And economists agree – it’s very efficient.

## Elements of Carbon Pricing

There are three main elements to carbon pricing:

**Pricing Mechanism** can be a direct tax or fee on carbon emissions, or an energy trading scheme (ETS) like cap and trade. Both are being used.

**Emissions Covered** can include electricity generation, and/or transportation, and/or industrial. Most systems include only electricity generation or industry covering about 30-40% of emissions. California includes all three to cover about 85% of emissions.

**Revenue Use Options** can and do range widely, from revenue positive (e.g. government programs for mitigation and adaptation) to revenue neutral where revenues are returned to households and businesses through various methods like other tax cuts.



# State Carbon Pricing Actions

The two large pricing schemes currently in force in the U.S. include **California's** cap and trade system and the **Regional Greenhouse Gas Initiative (RGGI)** – a cap and trade system on power plants across nine northeastern and mid-Atlantic U.S. states. California's cap and trade is a key element for them to reach their emission reduction goals. **Washington** state's Clean Air Rule, September, 2016, instituted what is essentially cap and trade on large stationary emission sources.

Also, **Boulder, Colorado** has a city carbon tax, initiated in 2006.

## Northeastern and Mid-Atlantic U.S.

Carbon pricing policies are currently under consideration in Connecticut, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, Vermont, and Washington D.C.

**Connecticut** formed the Governor's Council on Climate Change in 2015 to evaluate ways to reach the state's ambitious greenhouse gas emissions reduction target of 80% below 2001 levels by 2050.

*HB 7247* proposes a carbon fee that would start at \$15 per ton of CO<sub>2</sub>, increasing by \$5 per ton annually. 25% of funds would go toward climate resilience, efficiency and other renewable energy programs, 30% would provide dividends to employers in the state, 40% would provide dividends to state residents, while no more than five percent would go toward administering the program.

**Maryland's** HB 939 establishes a greenhouse gas (GHG) "pollution charge". Revenue from the charge would be used to provide rebates to households and employers and to fund State and local GHG reduction activities. The bill takes effect July 1, 2018, but is contingent on the enactment of substantially similar legislation in at least two other states (likely Massachusetts and Rhode Island).

**Massachusetts** has been in legislative discussions in past years and is extending discussions into 2018. In June, 2018, S2545, passed the Massachusetts State Senate but will face hurdles in the House. S2545 would establish a "market-based compliance mechanism" for transportation by the end of 2020, for commercial and industrial buildings and processes by the end of 2021, and for residences by the end of 2022. Massachusetts is already part of the Regional Greenhouse Gas Initiative – a cap and trade system on power plant emissions.

**New Hampshire** is beginning to consider carbon pricing and are proposing a study commission to look at possibilities. SB 1230 would establish a study commission.

**New York** – Two coordinated bills were introduced in 2017:

A00107/S02846 The bills propose a fee that would start at \$35 per ton of CO<sub>2</sub>, increasing by \$15 a ton annually to a maximum of \$185. 60% of revenue would be returned to low and moderate income households, while the remaining 40% would be invested in clean energy and transportation infrastructure.

A01919/S04598 would authorize a study on implementing a greenhouse gas or carbon emissions fee or tax.

A03967 would require a fee to start at \$5 per ton of CO<sub>2</sub> and increase by at least the rate of annual inflation plus 1% for the first ten years in effect. Revenues from the fee would go into the Carbon Tax Revenue Fund.

**Rhode Island** – SB2188/HB740 would impose a fee on CO<sub>2</sub> emissions, starting at \$15 per ton of CO<sub>2</sub>, increasing by \$5 per ton annually until it reaches \$50 per ton. The rate will then increase each year with inflation. 70% of the revenue would be refunded via per capita and per employee rebates to families and businesses, while 28% would be invested in climate resiliency, renewable energy, and efficiency programs.

The bill, if passed, will only take effect if there is a regional carbon fee enactment. Massachusetts and Connecticut are currently legislating similar bills.

**Vermont** – In January 2018, bills S284 / H791 were introduced by Senator Christopher Pearson and Representative Sarah Copeland-Hanzas. The bills would set a charge of \$5.00 per ton of carbon in 2020, rising by \$5.00 each year until reaching \$40.00 per ton in 2027. All revenues from charge will be returned customers on their electric bills.

**Washington D.C.** – Councilmember Mary Cheh presented a draft proposal for a price on carbon in May 2018, following the DC Council introducing a bill requiring 100% of the District's electricity to come from renewable sources by 2050.

## Midwestern U.S.

The first midwestern state to join the recognition that we need a price on carbon is Minnesota, with legislation introduced May 2018.

**Minnesota's** Legislature is considering [SF 4086](#) and [HF 4517](#) which would impose a fee, starting at \$40 per ton of CO<sub>2</sub> in 2020 and increasing by \$5 during the first five years. Beginning in the sixth year, it would increase by \$10. Beginning in the 12th year, the fee would increase by \$15. The bill is revenue neutral and would return the funds collected in the form of a rebate to individuals on a per capita basis.

## Western U.S.

The three Pacific Coast states of California, Oregon and Washington have or are considering carbon pricing. Utah entered the fray in 2017 with a proposal for a carbon tax.

A summary of all current carbon pricing systems and legislation proposed in the 2017 legislative sessions of the Western U.S. is shown in the table on the right.

**California** has had cap and trade since 2012; it now covers 85% of California emissions. The cap and trade system has been hindered by litigation claiming that cap and trade is a tax and therefore required a 2/3 vote. AB 32, The Global Warming Solutions Act of 2006, which established cap and trade, passed by a majority vote. Further it is arguable whether cap and trade can extend beyond 2020 which was the limit in AB 32. SB 32 of 2016 extends the emission goals to 2030, so the answer is not clear. Further cap and trade was (until 2017) in litigation claiming that since it was in effect a tax, it needed to be passed by a 2/3 vote.

In 2017, three bills were passed as part of the effort to extend cap and trade to 2030 and to make the litigation moot. AB 398 extended cap and trade to 2017, AB 617 to improve air quality. Governor Brown and others negotiated strongly to get the needed 2/3 vote. As a compromise ACA-1, which became Proposition 70 on the June 2018 primary ballot would have required a 2/3 vote again in 2024 to agree on how to spend revenue but was defeated at the ballot box. The three bills were supported by several Republicans.

**Hawaii** has the ambitious goal to reach 100% renewable energy by 2040. In January, 2018 Representative Kaniela Ing introduced HB 1991 which would impose a tax of \$10 for every ton of carbon dioxide emitted from the use of fossil fuel. It would require 20% of the tax collected be deposited into the Environmental Response Revolving Fund.

**New Mexico** like New Hampshire has a bill introduced January 2018 to study effects of carbon pricing. SM 23, would require a legislative committee to study how a possible state revenue-neutral carbon fee could be implemented and what impacts it would have on the economy, jobs, health and greenhouse gas emissions.

**Oregon** – State legislators in Oregon are proposing legislation that would reduce greenhouse gas emissions via a “cap and invest” system. The coordinated bills introduced in January 2018, SB 1507/HB 4001, would establish limits on greenhouse gas emissions in the state and require the largest emitters to purchase allowances to cover their output, similar to California’s system. Revenue generated from the auction of these allowances go to communities disproportionately impacted by global warming and other energy and climate mitigation initiatives.

**Washington** state’s Clean Air Rule, September 15, 2016, instituted what is essentially cap and trade on large stationary emission sources. The Emission Reduction Units (ERUs) are approximately equivalent to allowances used in other cap and trade systems. The declining cap is set to decline by 1.7% per year from the baseline calculated by the Washington state Department of Ecology for each entity. ERUs can be traded within Washington and with other states, provinces, or nations with similar systems.

Washington State Carbon Tax Bills		
Bill Number	Price/Increase	Revenue Use
SB 6203	\$20 per ton CO2e Increases by inflation plus 3.5%	50% to energy transformation 35% to water and natural resource resilience 15% to transition assistance
SB 6096	\$15 per ton CO2e Increase of \$2.50 until it reaches \$30 per ton	15% to carbon price impact assistance 55% to carbon reduction investment 20% to water and forests resilience
SB 5509/ HB 1646	\$15 per ton CO2e Increases by inflation	Specified percentages to a long series of mitigation and resilience efforts
SB 5930	\$15 per ton CO2e Increases by \$2.5 per year until it reaches \$30 per ton	15% to general fund to support those most impacted 20% to water infrastructure 20% to forest resilience 45% to carbon reduction investment
SB 6335	\$15 per ton until 2024 when it will rise to \$20 per ton.	40% to reduce emissions from transportation, reduce congestion, and improve mobility 20% to advance clean energy technology and energy efficiency 20% to reduce stormwater impacts 5% to fish barrier correction 10% to forest fire prevention/suppression and forest management 5% to benefit rural economic development
SB 5127/ HB 1555	\$25 per ton CO2e Increases by inflation	15% to water infrastructure and forest health 15% to clean energy and clean transportation 6% to relieve impact of carbon tax on disadvantaged 12% to jobs and competitiveness programs Remainder to education and/or general fund
HB 2230	\$15 per ton CO2e Increases by inflation	Specified amounts to: Ensure impacted workers are made substantially whole during the period of transition to a clean energy economy, Support of natural resources agencies, Clean water, climate resilience grants, Forest health investments, Clean air investment: clean energy and carbon reduction Sustainable infrastructure Utility tax credit investments

In January 2018 seven different carbon tax bills were introduced. They differed by the amount of tax and the tax increase, and in details of

how the revenue is to be spent. The differences are seen in the table on the on the previous page. All the bills allow for some exemptions and/or tax credits.

This plethora of bills will likely be combined into a compromise bill if they gain ground at all.

***A Lesson to Learn from...*** Washington also had two competing initiatives for the 2016 ballot: The revenue neutral Initiative 732 would tax carbon, and return revenue as reduced tax to all and rebates to working families. A competing initiative sponsored by the Alliance for Jobs and Clean Energy would use revenues to invest in clean energy and protect vulnerable families. But only I-732 made it on the ballot for a vote.

Initiative 732 is modeled after the carbon tax in British Columbia, but also included a rebate to working families. It would place an initial \$25 tax on a metric ton of carbon dioxide, and then use that money to fund both tax cuts and tax rebates throughout the state. The campaign for I-732 was not united. Groups like the Washington Environmental Council and the Sierra Club opposed the measure because it didn't go far enough, notably not investing in the huge infrastructure that will be needed to move to a decarbonized economy.

**Utah** is entering the discussion.

HB 403 (Rep. Joel Briscoe) would assess an upstream fee of \$10/ton of CO<sub>2</sub> increasing by 3.5% plus inflation each year. Net proceeds then return to the economy via eliminating a variety of state taxes, such as sales taxes on grocery store food or income taxes on mining and manufacturing businesses. In addition to eliminating taxes, the funds would also fund an Earned Income Tax Credit (EITC) match, where families affected by intergenerational poverty would receive a Utah state tax credit equal to 75% of their federal EITC amount.

For more information and history go to  
[PriceonCarbon.org](http://PriceonCarbon.org) and search "State Actions"



## Resources for Climate Action

### Price on Carbon Website



TAKE ACTION

This website provides a wealth of information about the science of climate change, about carbon pricing systems and options for using the revenues from these systems, and suggestions for action. It also includes links to the Price on Carbon network's webinars on carbon pricing and has been endorsed by the LWVUS board. To access the website, go to <https://priceoncarbon.org>.

And to join the Price on Carbon Network and receive information about upcoming carbon pricing webinars, send an email to [climatechange@lwvc.org](mailto:climatechange@lwvc.org).

### Toolkit for Climate Action



The toolkit provides a wide range of resources for League members to use to promote climate solutions in their communities and beyond. It features updates about the Our Children's Trust landmark federal lawsuit and LWVUS calls to action as well as detailed information about mitigation and adaptation strategies. To access the toolkit, go to <http://bit.ly/ClimateActionToolkit>.

### LWVUS Climate Change Google Group

League members are invited to discuss climate issues and share information about their climate work with the LWVUS Climate Change Google Group. To join the conversation, go to <https://groups.google.com/d/forum/lwvus-climate-change> and follow the directions. You will need a Google account to participate.

Questions? Contact LWVUS Climate Change Task Force Chair Eleanor Revelle: [er@revelle.net](mailto:er@revelle.net)





## Partnerships to Strengthen LWV Advocacy

**The League does not need to do it alone** - your advocacy efforts will be stronger by working in partnership with other, like-minded organizations.

Ways you can build your League's capacity to take action and advocate for a price on carbon and have greater impact:

- Co-sponsor an education program or an advocacy event
- Join a consortium or collaboration with other groups with shared goals
- Be part of an advocacy and lobbying effort

### Criteria for strong partnerships

- Clear agreement on goals
- League gets to play an active role, have input
- There is agreement on how the partnership works
- Messages from the collaboration reflect League positions

**Look for Common Ground** and realize that you, and your partnering organization may not agree on all aspects - focus on those key areas that you agree on.

#### **An Example**

How do we partner with Citizens Climate Lobby?

*Where do we agree?*

We both want a price on carbon

*Where do we disagree?*

LWV does not sanction just one option

*Solution:*

Partner on the need for a price on carbon  
But provide all options, not only fee and dividend, but also forms of cap and trade, other methods of revenue use

*Examples where LWV has co-sponsored events with CCL*

- Labor and Climate Change Forum
- Climate Change – What's Next?
- Price on Carbon Forum



# Evaluation of Carbon Pricing Proposals

## **Congress – S 2352 (Van Hollen, D-MD) – Cap-and-Dividend Healthy Climate and Family Security Act**

Criteria	Van Hollen Bill
Price on carbon	<ul style="list-style-type: none"> <li>• Cap and trade</li> </ul>
Effective to abate emissions	<ul style="list-style-type: none"> <li>• Number of carbon permits for 2019: 12.5% tonnes CO<sub>2</sub>e emitted in U.S. in 2005.</li> <li>• Number decreases every 5 years sufficient to reduce emissions to 80% below 2005 levels by 2050.</li> </ul>
Can be successfully implemented	<ul style="list-style-type: none"> <li>• Cap and trade systems are currently implemented. Markets exist for expanded trade.</li> <li>• Unlikely to pass</li> </ul>
Revenue Use	<ul style="list-style-type: none"> <li>• Revenue neutral. Permit auction revenues go in equal amounts to U.S. residents with Social Security number.</li> </ul>

### **Discussion**

- This bill meets the LWV criteria for effectiveness and successful implementation.
- The bill is unlikely to pass at the federal level, so it would not be an action priority. But if it were proposed at the state or regional level, it could warrant League support.

## **Congress – S 2368 (Whitehouse, D-RI) – Carbon Tax American Opportunity Carbon Free Act**

Criteria	Whitehouse Bill
Price on carbon	<ul style="list-style-type: none"> <li>• Carbon fee</li> </ul>
Effective to abate emissions	<ul style="list-style-type: none"> <li>• Begins at \$50/ton of CO<sub>2</sub> and increases by 2%/year until emissions are reduced by 80% below 2005 levels.</li> <li>• Allows credits for carbon capture, underground disposal</li> </ul>
Can be successfully implemented	<ul style="list-style-type: none"> <li>• Systems for taxation are in place</li> <li>• Unlikely to pass</li> </ul>
Revenue Use	<ul style="list-style-type: none"> <li>• Gives individuals an annual \$800 refundable tax credit. Provides grants to states to help low-income and rural households, workers transitioning to new industries, and communities battling the effects of climate change.</li> </ul>

### **Discussion**

- This bill meets the LWV criteria for effectiveness and successful implementation.
- It is unlikely to pass at the federal level so it would not be an action priority. But if it were proposed at the state or regional level, it could warrant League support.

**Oregon “Cap and Investment”**  
**LC 44 (Senate), LC 176 (House)**

Criteria	Oregon “Cap and Investment”
Price on carbon	<ul style="list-style-type: none"> <li>• Cap and trade.</li> </ul>
Effective to abate emissions	<ul style="list-style-type: none"> <li>• Declining cap, sufficient to reduce emissions by at least 80% below 1990 levels by 2050.</li> <li>• Covers 83% of GHG emissions in the state.</li> <li>• Agriculture and small facilities exempted from the cap.</li> <li>• Allocates some free allowances to prevent “leakage”</li> <li>• Allows offsets (less than 8% of emissions)</li> </ul>
Can be successfully implemented	<ul style="list-style-type: none"> <li>• Act is very similar to existing system in California</li> <li>• Act allows for trade with “other jurisdictions”</li> </ul>
Revenue use	<ul style="list-style-type: none"> <li>• Revenues to be used for (1) programs that benefit consumers and impacted communities, stabilize and reduce energy bills, and reduce GHG emissions and (2) transportation infrastructure projects that reduce emissions, e.g., light rail.</li> </ul>

**Discussion**

- This bill meets the LWV criteria for effectiveness and successful implementation.

**Washington Initiative 1631**

*(Initiative filed for November 2018 ballot)*

Criteria	Protect Washington Act
Price on carbon	<ul style="list-style-type: none"> <li>• Carbon fee and investment</li> </ul>
Effective to abate emissions	<ul style="list-style-type: none"> <li>• Begins at \$15/ton CO2 in 2020; rises \$2/ton/year, plus inflation. About \$40/ton in 2035. Will freeze or continue to rise if statutory GHG targets are not met.</li> <li>• Exempts certain Energy-Intensive Trade-Exposed Businesses (EITEs), e.g., aluminum, steel.</li> </ul>
Can be successfully implemented	<ul style="list-style-type: none"> <li>• Systems for taxation are in place.</li> <li>• Support is growing.</li> </ul>
Revenue use	<ul style="list-style-type: none"> <li>• Revenues to be used for carbon reduction and clean air investments (70%)</li> </ul>

**Discussion**

- Statutory GHG targets (25% below 1990 levels by 2035) seen by some as not stringent enough.
- Price trajectory lags behind British Columbia carbon tax (in place since 2008), which will climb to \$50 (Canadian) per ton by 2021.