MS4SF Policy Series: Carbon Fee +/- Dividend

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Agenda

- Concept & Fundamentals
- Criticisms
- Potential Impact
- Policy Proposals
- Action Ideas
Concept

Background on Fundamentals of Policy
Idea Behind the Fee

- Price of carbon-intensive industries
  - Indirectly incentivizes alternatives
- Intended to be economy-wide in scope
- Economic terms: return the cost externality onto the industries
What to do with the Revenue?

- Dividends back to households
  - Equal
  - Targeted to low- and middle-income

- Infrastructure

- Government general fund
Note that this system is distinct from cap and trade, which is not discussed within this presentation.
What is Cap and Trade?

- Total cap of emissions set
- Permits issued/purchased that allow emissions & can be traded
- Can allow concentration of pollutants, often allow offsets
Criticisms

Drawbacks of the Policy
Environmental Justice

- Allows “pay to pollute”
- Does not offer specific protections for already overburdened communities
- Certain policies with design choices aimed at equity have gained EJ support
Fossil fuel = more $$$

Renewable = relatively less $$$

Increased renewables

Not Direct
Not Addressing Fundamental Root Cause

- Can a capitalism-centric solution solve a capitalism-centric problem?
- Can this help to rectify systemic inequities that have lead us to this situation?
3 Impact

Implications of Policy Implementation
Emissions
GHG Emissions in 2030
(percent change from 2005 levels)

- Current Policy Scenario
- $14/ton Scenario
- $50/ton Scenario
- $73/ton Scenario

Range of outcomes assuming accelerated clean energy innovation
- -0.05
- -0.1
- -0.15
- -0.2
- -0.25
- -0.3
- -0.35
- -0.4
- -0.45
- -0.5

Emissions Reductions by Sector:
$50/ton Scenario vs. Current Policy (percent)

- Electric Power 80%
- Transportation 19%
- Industrial 9%
- Buildings 5%
- Other 3%

Notes: The Current Policy scenario includes federal and state policies in place as of June 2017. In the $14/ton scenario, the tax starts at $14/ton in 2020 and rises by about 3 percent annually. In the $50/ton scenario, the tax starts at $50/ton in 2020 and rises by about 2 percent annually. In the $73/ton scenario, the tax starts at $73/ton in 2020 and rises by about 1.5 percent annually.
Source: CGEP and Rhodium Analysis
Notes: The Current Policy scenario include federal and state policies in place as of June 2017. In the $14/ton scenario, the tax starts at $14/ton in 2020 and rises by about 3 percent annually. In the $50/ton scenario, the tax starts at $50/ton in 2020 and rises by about 2 percent annually. In the $73/ton scenario, the tax starts at $73/ton in 2020 and rises by about 1.5 percent annually.

Source: CGEP and Rhodium Analysis
Health
4.5 million avoided premature deaths

Over the next 50 years by keeping to the 2°C pathway
Also 3.5 million avoided hospitalizations and ER visits
$37 trillion
Value of avoided deaths

$37 billion
In avoided healthcare spending

$75 billion
In increased labor productivity

$700 billion per year
in total benefits
Economic Impact
(specifically with equal dividends)
A rapid shift to a 2°C pathway could reduce the toll of air pollution, which leads to nearly 250,000 premature deaths per year in the US, by 40% in just a decade.

Our work shows that action now means benefits now.

“Dr. Drew Shindell
Policy Proposals

Landscape of What Proposals Have Been Made
Current Proposals

- Introduced into 117\textsuperscript{th} Congress:
  - MARKET CHOICE Act – Fitzpatrick Bill
  - Energy Innovation and Carbon Dividend Act – Deutch Bill
  - America Wins Act – Larson Bill
  - America’s Clean Future Fund Act – Durbin Bill
  - Save our Future Act – Whitehouse bill
Whitehouse Bill Payments to Low- and Middle-Income Households

Environmental Justice Communities

State and Tribal Assistance

Transition Assistance

- Also includes fee on pollutants

Farming, ranching, and forestry

Funding categories:
- Infrastructure
- Carbon Dividends
- General Fund
- Adaptation, R&D & Other
- Low-Income Assistance
- Administrative Costs
- Payments to Low- and Middle-Income Households
- Transition Assistance
- Green Bank
- Dividends to Low- and Middle-Income Households
- Administrative Costs
- Payments to Low- and Middle-Income Households
Including Prior Bills:
Framework for Analyzing Impact

- Carbon fee – initial level and rate of increase
- What is done with revenues
  - Offsetting energy increases?
  - Increasing equity?
  - Accelerating transition?
Fee Investigation

- Level of fee key to reaching goals
- Assessment of EICDA specifically:
  - Starts at $15 per metric ton & increases by $10 or $15 each year (depending on future emissions levels)
  - = 90% emission reductions by 2050
State - Massachusetts Green Future Act

◉ Extends existing carbon fee requirement to also include transportation and heating fuels (= 74% of state’s emissions)

◉ Funds:
  ○ Dividends to lower-income households
  ○ Assist displaced fossil fuel workers
  ○ Awards to towns for projects that would reduce carbon emissions
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Action Ideas
Next Steps for Involvement
Health Professionals' Climate and Carbon Pricing Declaration

https://www.businessclimateleaders.org/healthprofessionalsdeclaration
Join an Organization
Citizen’s Climate Lobby:
- Educational materials
- Can join and connect with a local group
Write and **Advocate**

- Identify and write to your representatives
- Write an op-ed
- The **health voice** is a valued one in this domain
References

References, Continued


Credits

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Any questions?

Please see our one-pager as a reference guide
Feel free to reach out on Slack (via message or the Advocacy channel) or via email:

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