

A Clean Energy Future for Massachusetts

It's time to put a price on climate change pollution

The threat from global warming

Climate change – also called climate disruption – 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.

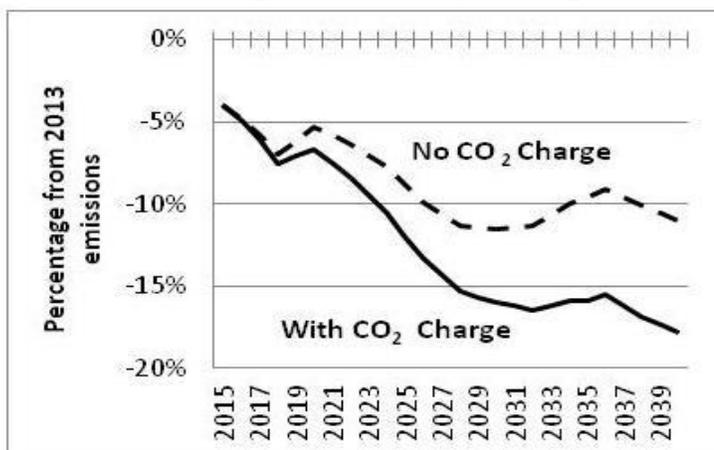
Goal: cut climate pollution

The Global Warming Solutions Act requires that we cut global warming pollution (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.

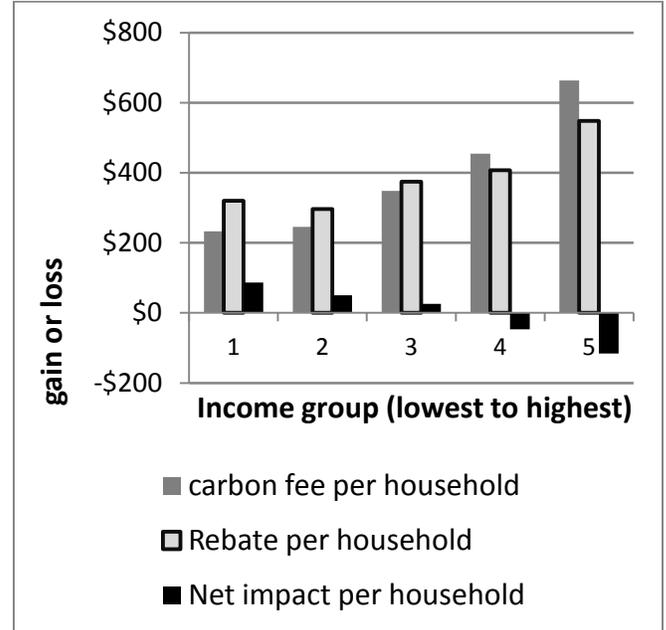
How: put a carbon pollution charge on fossil fuels

Most 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. 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. A carbon charge will not be enough, however. We also need to strengthen other state and federal policies on climate change.

Emissions with CO₂ Charges in SD285 Versus No Charge (electricity exempt)



Net Impacts On Households At Different Income Levels With \$30/ton carbon fee (Bottom 20% = Group 1 to Top 20% = Group 5)



Return most of the money to the public; use some for programs that create good jobs and reduce CO₂ emissions

Senate Docket (SD) 285, “An Act Combating Climate Change,” would create a carbon fee-and-rebate system. Electricity generation would be exempt because it is already covered by other programs. Senator Mike Barrett is the sponsor and the bill already has 41 co-sponsors in the House and Senate. Under SD 285 the revenues from the carbon pollution charge would go into a dedicated fund. Then, every state resident would receive an equal rebate, and employers – businesses, non-profits and municipalities – would get rebates based on their number of employees. Additional rebates would go 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.

On average, people and employers would receive rebate payments that would fully offset the higher

cost of natural gas, gasoline, and fuel oil, and low- and moderate income households would come out ahead because they use less energy than wealthier households. People and employers who reduced their use of fossil fuels would benefit because they would pay less in carbon charges while receiving the same rebate as everyone else.

SD 1815, sponsored by Senator Marc Pacheco, would create a carbon cap-and-trade system (similar to a carbon fee), and would use 20% of the revenues for climate-change related programs, such as energy efficiency and public transit.

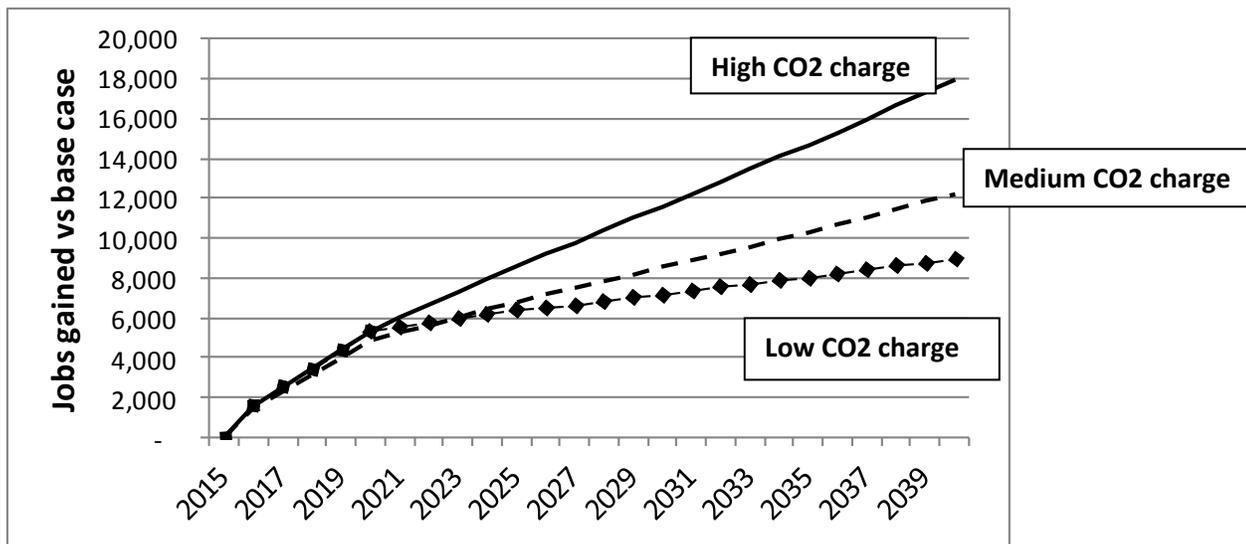
IMPACTS

Pollution will fall – the CO2 pollution that causes climate disruption would be cut by more than almost any other single 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, positive in some cases, negative in others.

Employment Change versus Baseline (electricity exempt from CO2 charge)

With three 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.



Employment will rise – because MA would spend far less money on imported fossil fuels, and instead spend more on in-state businesses, several thousand jobs would be created. Many of these jobs, however, are projected to pay low wages. To counteract this, part of the fee revenues should be reinvested in high-wage industries.

The economy will benefit – impacts on the overall state economy would be small but positive, with gains in important measures such as average personal income.

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Sources: All figures derived from “Analysis of a Carbon Fee or Tax as a Mechanism to Reduce GHG Emissions in Massachusetts,” Scott Nystrom et al, prepared for the MA Dept. of Energy Resources, December 2014. Go to:

<http://www.mass.gov/eea/docs/doer/fuels/mass-carbon-tax-study.pdf>