American Sustainable Business Council

Creating a National Tax on Carbon
A Business Call to Action

With the risks of climate change mounting, the need for comprehensive action to cut carbon pollution is clear. One particularly effective way to do this is to levy a tax on the carbon content of fossil fuels and their emissions, a major cause of climate change. ASBC believes that a national, economy-wide carbon tax will send a clear market signal, account for all the risks fossil fuels pose to our economy, enable a simple enforcement strategy, and improve economic resilience.

Principles for a National Carbon Tax

1. Comprehensive, with no exceptions
ASBC believes an economy-wide carbon tax is the most effective and efficient means to cut carbon pollution in the United States. This strategy recognizes that the market has failed to account for the full costs of carbon pollution, and that government has a role to play in doing so. A national carbon tax would do that, due to its transparency and technology-agnostic approach.

2. Setting a meaningful price
The tax must be set at a rate significant enough to nudge the market toward the scientifically-necessary goal of a 26-28% reduction in carbon emissions by 2025. If the price is set too low, it will not cut carbon emissions enough; a price set too high would yield fewer benefits relative to its costs and disrupt the economy more than necessary. The price should rise steadily over time to allow businesses and households time to adjust and plan for future investments.

3. Tax on the highest CO2 emitters at the source
We believe the price should be applied to the approximately 2300 sites that are the initial production points or points of entry into the country for fossil fuels. These sites account for about 80% of greenhouse gas emissions. Fuels produced in the United States would be taxed at the mine or drilling site, while imported fuels would be taxed at the ports. This allows the tax to be assessed at a manageably small number of sites, using readily-available information on the carbon intensity of various fuels.

4. Protecting US competitiveness
To ensure that American exporters are not hurt, we support setting border price adjustments so that goods being exported from the U.S. can have the tax rebated if they are being sent to a country without a carbon tax. At the same time, imports from countries that lack carbon-pricing mechanisms would be subject to the tax.

5. Using the revenue to benefit the economy
Revenues generated from a carbon tax must be put to good use. We support revenue being used for any of the following: reducing income or payroll taxes; providing dividends to taxpayers; supporting those heavily affected by the economic transition such as lower-income and coal-dependent communities; and/or improving the nation's aging infrastructure.

Rationale
Pricing carbon will lead to significant reductions in carbon dioxide emissions and help to reverse climate change, which threatens widespread economic damage including severe weather events, rising health care and energy costs, disruption to food and water supplies, and the need to harden and rebuild infrastructure. These costs all threaten to devastate American businesses. In addition, by favoring lower-carbon energy sources, which are better job creators per unit of energy than fossil fuels, a carbon tax promotes strong job and economic growth.

A carbon tax can work in concert with other climate change solutions which are being considered at the state and regional levels. ASBC supports cap-and-trade systems like those in California and the Northeast's Regional Greenhouse Gas Initiative, which limit emissions while allowing polluters to sell extra permits, and efforts like the Alaska Permanent Fund that use oil and gas revenues for environmental protection and reduce income inequality. We also support state efforts to tax carbon. Depending on the program that is ultimately implemented at the federal level, state and local programs may need to be adjusted to account for the combined effect of multiple initiatives.

The Market is Ready
A number of companies, including major oil corporations, already take a carbon price into account in their long-term business plans. Therefore, Congress may act with confidence that the economy will quickly adapt to—and likely benefit from—a carbon tax, as capital moves towards new energy production and storage technologies.

The Feasibility of a Carbon Tax has been demonstrated
The Canadian province of British Columbia shows how a carbon tax can succeed. In place since 2008, the revenue-neutral tax started at C$10 a ton and rose to C$30 a ton in 2012, adding about seven cents per liter of gasoline. As a result, fuel consumption in British Columbia dropped by 16 percent from 2008-2014, while the rest of Canada saw a three percent increase.

Since passing a carbon tax, British Columbia has seen its economy grow faster than the rest of Canada's. The carbon tax has not harmed economic growth, in part because the province now has the lowest income tax rate in Canada and one of the lowest corporate tax rates in all of North America. A 2012 poll found 64 percent of British Columbians supported the tax.

Benefits of a Carbon Tax in the US
An economy-wide carbon tax would hasten the move away from carbon-intensive fuels, and prevent some of the economic damage that would otherwise result from climate change. It will reduce business uncertainty and create new investment opportunities. As the British Columbia tax shows, a carbon tax, done right, can have a stimulative impact, through tax cuts, rebates for individuals, and investments in R&D and infrastructure improvements.

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