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Fact Sheet: The Save Our Climate Act of 2011
H.R. 3242

Why a Tax on Carbon?

- A carbon tax is a market-based solution that will reduce our dependence on foreign oil, spur development of alternative energy, mitigate climate change, and reduce our deficit.
- The impacts of climate change become more severe each year we fail to act. The 10 warmest years on record have all occurred since 1990, glaciers and ice caps continue to recede, and we are seeing increases in "once in a century" weather events. We must act.
- The Save Our Climate Act will reduce emissions by 25% in the next 10 years and 45% over the next 20. This will be begin to slow climate change and pressure the rest of the world to reduce their emissions to a sustainable level.
- Under a carbon tax, energy intensive domestic industries can be protected from foreign competition through border adjustments that are compliant with international trade agreements.
- A carbon tax is transparent does not pick winners and losers, it simply sets a price on the externalities of burning fossil fuels and lets the market figure out how to innovate and become more efficient.
- The Save Our Climate Act will protect families from higher energy costs by providing a yearly dividend to all Americans from the revenues generated by the tax.

How it Works:

- A fee is levied on the carbon content of fossil fuels at the first point of sale.
- The tax would begin at $10/ton on carbon dioxide content and increase by $10/ton each year until the U.S. level of carbon emissions are 80 percent below 1990 levels—the level scientists say is needed to stabilize our climate.
- The tax will create a shift in behavior so that oil usage in 2021 will be 19 percent lower than 2005 usage.

Revenue:

- According to the Carbon Tax Center, this legislation will raise more than $437 billion over 10 years for deficit reduction.

- All additional revenue raised by this tax, \$2.16 trillion over ten years, will be distributed to individuals to offset any change in energy prices.
- In year two, the average dividend would be \$172 per capita. It would rise to \$761 in year five and \$1126 in year ten.

<u>Why a Carbon Tax is Preferable to Cap & Trade or EPA regulation:</u>

- According to the CBO, a carbon tax is the most economically efficient option for reducing emissions
- Unlike a cap and trade system, a carbon tax is simple to implement through existing government agencies and would not require any new bureaucracy.
- Unlike regulating CO_2 through the Clean Air Act, a carbon tax provides market incentives to reduce emissions and will not require business to engage in a complex permitting process.
- A carbon tax is predictable, which allows the energy sector, investors, and individuals to plan for the future with certainty about the tax rates.
- Under cap-and-trade, carbon prices are dictated by a volatile trading market and European carbon markets have experienced wild swings. Price volatility hurts consumers and discourages investment into alternative energy sources.
- Cap and trade systems require huge new markets that are susceptible to speculation. A carbon tax cannot be gamed and does not require a new trading market.
- Carbon tax revenue can easily be returned to the public through a dividend. A cap-and-trade system is complicated and would require a substantial amount of revenue just to administer, reducing the amount available for deficit reduction and consumers.