

Tackling Climate Change and Raising Revenue for the American People

Carbon Pollution Fee Discussion Draft

Carbon pollution from human activity is driving climate change, which is harming our economy, health, and environment. The United States is the second-largest source of annual carbon pollution and has contributed over one-quarter of the cumulative global carbon pollution from human activity. Scientists warn that we must act now to reduce carbon pollution to avoid potentially catastrophic consequences.

The carbon pollution fee program outlined in this discussion draft released by Congressman Waxman (D-CA), Senator Whitehouse (D-RI), Congressman Blumenauer (D-OR), and Senator Schatz (D-HI) will generate substantial revenue while reducing carbon pollution. The draft abides by the following principles:

- Polluting industries should be responsible for the harm they are causing to the American people.
- All revenue generated by the carbon pollution fee should be returned to the American people.
- Trade-vulnerable, energy-intensive industries should be protected.

Specifically, the discussion draft outlines a legislative framework that would:

- Establish a carbon pollution fee that applies to all six categories of greenhouse gases.
- Require large carbon pollution sources to pay the fee for carbon pollution permits based on the quantities of carbon pollution reported by the sources under the EPA's Greenhouse Gas Reporting Rule.
- Create a program to be jointly administered by the Department of the Treasury and EPA. EPA would implement and enforce emissions reporting under EPA's Greenhouse Gas Reporting Rule, and Treasury would assess, collect, and enforce the fee requirements at the point where carbon pollution is emitted or passed on to consumers, depending on the type of source.

This approach would:

- Drive significant carbon pollution reductions.
- Generate substantial revenue to be returned to the American people.
- Provide broad coverage of greenhouse gas emissions, while minimizing compliance and administrative burdens and utilizing each agency's area of expertise.

Comments on any aspect of the discussion draft are welcome, and the lawmakers have identified the following key questions for feedback:

1. What is the appropriate price per ton for polluters to pay? The draft contains alternative prices of \$15, \$25, and \$35 per ton for discussion purposes.
2. How much should the price per ton increase on an annual basis? The draft contains a range of increases from 2% to 8% per year for discussion purposes.
3. What are the best ways to return the revenue to the American people? The discussion draft proposes putting the revenue toward the following goals, and solicits comments on how to best accomplish each: (1) mitigating energy costs for consumers, especially low-income consumers; (2) reduce the federal deficit; (3) protect the jobs of workers at trade-vulnerable, energy intensive industries; (4) reduce the tax liability for individuals and businesses; and (5) invest in other activities to reduce carbon pollution and its impacts.
4. How should the carbon fee program interact with state programs that address carbon pollution?