REGULATIONS: Group says carbon tax may be politically viable with a rebate
By Lisa Haidostian and Saqib Rahim
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While politicians seem fearful of any legislation involving the T-word, a new report proposes placing a tax on carbon dioxide in a way that would numb the economic repercussions.

The report suggests pumping 90 percent of the generated revenue back to households and businesses, while earmarking the other 10 percent for research and development and the "broad deployment of climate-friendly technologies."

The end result? A 30 percent drop in CO_2 emissions by 2030 at a yearly cost of 1.6 percent of an average household's annual income, according to the U.S. Climate Task Force. The report projected its results using the National Energy Modeling System (NEMS) -- the same system implemented by the Department of Energy. It said U.S. GDP would reach $22.3 trillion (in 2005 dollars) in 2030, as opposed to $22.5 trillion if steps to slow climate change weren't taken.

Although much of the national discussion about climate change legislation has focused on cap-and-trade regimes, many economists favor a carbon tax instead, arguing that it would be simpler to implement and enforce, more economically efficient and better at controlling costs.

But as energy prices climb higher, even the most environmentally minded politicians have shied away from the tax, deeming it to be too much of a political landmine.

The tax would start out at $14 per ton in 2010 and rise to $50 per ton in 2030. Most of the revenue generated -- projected to be about $4 trillion over 20 years -- would cycle back into the economy, primarily through a cut in the payroll tax.

"We are reducing one tax and applying a second tax. The reason is, we want to encourage one kind of behavior and discourage another kind of behavior," explained Robert Shapiro, chairman of the U.S. Climate Task Force and a co-author of the new report. "This is not the imposition of a tax -- this is a tax shift."

Putting them into practice: Do carbon taxes work?
While loved by many economists, past carbon taxes have had their flaws. Monica Prasad, a sociology professor at Northwestern University, found that Scandinavian countries' carbon taxes had only reduced per-capita emissions in two countries -- Denmark and Finland -- from 1990 to 2005. Emissions per person increased in the other countries, rising 43 percent in Norway.

The problem, Prasad found, was that governments became addicted to the revenue from carbon taxes, making the tax a cash cow rather than a brick wall for emissions.

Also, the taxes only suppressed emissions when governments presented alternatives to fossil fuels. In several of the countries Prasad studied, the absence of alternatives meant that more people were forced to simply pay the tax, keeping emissions high. Per capita emissions dropped 15 percent in Denmark, though, where the government promoted renewable power.

But Shapiro said the dedicated use of revenue for renewable energy research and development differentiates his plan from others. He also emphasized that since the study used NEMS, which he called the "best model available in the world," the findings have a "unique credibility" over other carbon tax plans, none of which have used the model, he said.

Shapiro said he had no reservations about using the dreaded T-word -- which many say can kill a proposal's hopes in Congress -- to describe his plan. "You can't fool people," he said. "This is not a matter of marketing."

And as a new administration is ushered into the White House, Shapiro said he is confident his plan will be on Congress' table. "I think this proposal will be part of the mix," he said. "I think it will be one of the alternatives being debated. He added that he thinks climate change will be a "2010 issue."

The U.S. Climate Task Force is a project of the economic advisory firm Sonecon LLC, which Shapiro heads.