

# LEAD THE INNOVATION ECONOMY FOR MASSACHUSETTS

## CUTTING CARBON POLLUTION THROUGH AN ECONOMY-WIDE CARBON PRICE

Support Carbon  
Pricing Policies:



Solar panels in Woburn  
Photo: Cummings Properties

### TACKLING CLIMATE CHANGE IS THE GREATEST CHALLENGE AND THE GREATEST ECONOMIC OPPORTUNITY OF OUR GENERATION.

Economists, politicians, and business leaders from all sides of the aisle agree that an economy-wide carbon price is the most efficient, effective and cost-effective tool to achieve significant emissions reductions. Putting a price on carbon will harness the power of the market, encourage clean energy and efficiency, spur thoughtful innovation and stimulate economic growth.

"...LET'S LEVEL THE PLAYING FIELD FOR COMPETING SOURCES OF ENERGY SO THAT COSTS IMPOSED ON THE COMMUNITY ARE BORNE BY THE SOURCES OF ENERGY THAT CREATE THEM, MOST PARTICULARLY CARBON DIOXIDE. A CARBON TAX, STARTING SMALL AND ESCALATING TO A SIGNIFICANT LEVEL ON A LEGISLATED SCHEDULE, WOULD DO THE TRICK."

"A Reagan approach to climate change," George P. Shultz (Secretary of State from 1982 to 1989), Washington Post, 03.13.15

## AN ACT TO PROMOTE GREEN INFRASTRUCTURE AND REDUCE CARBON EMISSIONS

HOUSE BILL 2810 | SPONSOR: REPRESENTATIVE BENSON

H.2810 takes the reinvestment approach, devoting 30% of the total fee revenue to a Green Infrastructure Fund (GIF) that investments in local clean transportation, resiliency, and renewable energy projects that reduce emissions and create local economic development. The remaining 70% of the revenue will be divided into two separate funds for households and employers.

**THE FEE** starts at \$20 per ton of emissions, rising \$5 each year until it reaches \$40. The fee will increase further if the state does not meet its legal carbon reduction mandates.

**BUSINESSES** and other institutions receive a rebate in proportion to their share of total employment in Massachusetts. Businesses facing strong out-of-state competition or those in energy-intensive industries receive higher rebates.

**THROUGH** a progressive rebate model, low and middle-income households will be protected. Residents of rural households get a higher rebate coming from sales of vehicle fuel sales.

**FROM** the money going to the GIF, at least 35% will go to communities and households whose median incomes are in the lowest third of the state.

## AN ACT TO COMBAT CLIMATE CHANGE

SENATE BILL 1924 | SPONSOR: SENATOR BARRETT

S.1924 is based on carbon pricing language that in 2018 earned the unanimous approval of the Massachusetts State Senate. At the same time, it innovates in two ways. First, the bill provides that, over time, a price on carbon emissions from transportation will rise to \$60 per metric ton of CO<sub>2</sub>. Second, in the event that officials opt for a pricing approach to transportation emissions that is “revenue positive” (such as cap and trade), the bill proposes to spend portions of the resulting revenue on aid to public education and on environmental justice priorities.

**REQUIRES** the Governor to use existing authority to establish a ‘market-based mechanism’ for the transportation and building sectors.

**MITIGATES** disproportionate financial burdens on low to middle-income households, rural residents, and businesses.

**CREATES** a “carbon pricing trust fund” and an “environmental health and justice trust fund” which is capitalized by carbon price revenue.

**60%** of revenue would go to the commonwealth transportation fund, 30% to education aid to cities and towns, 5% to the new environmental health and justice trust fund; and 5% for energy efficiency projects.

## WHY IT WORKS

In a perfect world, the implications and costs of all of our economic transactions would be accounted for. Currently, the prices for electricity and fuels reflect little or none of the costs associated with health impacts, infrastructure damage, or security threat. A carbon price will level the playing field by creating powerful incentives to reduce carbon pollution.

Although emissions from electricity generation from electricity generation have fallen significantly in New England due to the Regional Greenhouse Gas Initiative, our emissions are growing in other sectors. Carbon pricing is the only mechanism that creates a fair, economy-wide approach to emissions reductions.

Massachusetts imports all of its natural gas and oil, sending billions out of state each year. By reducing our fossil fuel consumption here, we will reduce the dollars sent out-of-state. That means more money here at home for consumers and businesses to recycle back into the local economy.

## BENEFITS TO BUSINESSES AND HOUSEHOLDS

An independent analysis conducted for the Department of Energy Resources found that under a carbon fee and rebate system in Massachusetts<sup>1</sup>, Gross State Product will rise by over \$600M and over 12,000 jobs will be created once the price reaches \$40 per ton.

**ENSURES** businesses and individuals will have the freedom to choose if and how they reduce carbon consumption.

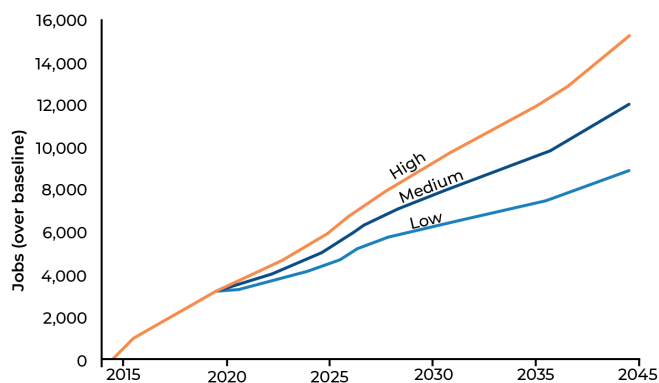
**INCREASES** the price gradually, allowing markets and industries to have time to adjust and become leaders through innovation.

**PROVIDES** clean energy companies, which already employ more than 110,700 in the state<sup>2</sup>, more confidence in the future markets for their products and workforce.

**REDUCING** carbon pollution creates a healthier community, which means a healthier economy. A carbon price will mean fewer cases of respiratory ailments like asthma and bronchitis, reductions in heart disease and cancer, and fewer sick days from work and school.

**PROVIDES** businesses with competitive advantage by being first-movers in efficiency and optimization.

### TOTAL EMPLOYMENT CHANGE FROM A CARBON POLLUTION FEE



<sup>1</sup> | "Analysis of a Carbon Fee or Tax as a Mechanism to Reduce GHG Emissions," study done for the MA Dept. of Energy Resources, Dec. 2014, at: <http://www.mass.gov/eea/docs/doer/fuels/mass-carbon-tax-study.pdf>

<sup>2</sup> | <https://www.masscec.com/node/8250/n?sid=7729&token=c7bb227b522a2ac55c1c85ef116eea61mdone?sid=7729&token=c7bb227b522a2ac55c1c85ef116eea61>



PVRTA bus pulling away from Union Station in Springfield.

## OUTCOMES OF A CARBON PRICE

**REDUCES** carbon pollution and improves public health

**UNLEASHES** creativity for greater efficiency and clean energy innovation

**CREATES** more than 10,000 jobs and strengthens the economy

**SAFEGUARDS** business competitiveness and exibility

**APPEALS** to a values-driven workforce and customer base

## CONSERVATIVES ARE CALLING FOR IT

The newly formed Climate Leadership Council — which includes James A. Baker, Henry Paulson, George P. Shultz, Greg Mankiw, and Gilbert Metcalf — are proposing a carbon price that starts at \$40 per ton.

**“A TAX ON CARBON EMISSIONS WILL UNLEASH A WAVE OF INNOVATION TO DEVELOP TECHNOLOGIES, LOWER THE COSTS OF CLEAN ENERGY AND CREATE JOBS AS WE AND OTHER NATIONS DEVELOP NEW ENERGY PRODUCTS AND INFRASTRUCTURE”**

Henry M. Paulson (Treasury Secretary under President George W. Bush)



## CARBON PRICING: THE NEW NORMAL

Carbon pricing has quickly caught on across the country and the globe. 17 states across the nation either already have campaigns underway to put a price on carbon or are considering creating one.

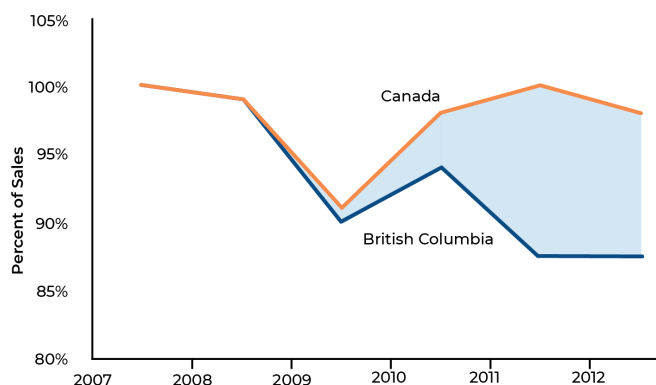
British Columbia created a revenue-neutral carbon price in 2008 that directed the C\$30 per ton fee back to taxpayers through lowered personal and business income taxes and into targeted support for low-income individuals and families.

**POLLING** shows that a majority of British Columbians supported the tax when it was introduced, and a majority continue to support it today.

**BRITISH** Columbia saw a 12.9% decrease in per capita emissions in 2008–2013 compared to 2000–2007. BC's carbon price did not impede economic activity in the province, in fact, their GDP growth slightly outpaced growth in the rest of Canada.

The success of British Columbia's carbon price led Canadian Prime Minister, Justin Trudeau, to propose a national minimum carbon price starting in 2018. The government plans to set a floor price for carbon pollution, allowing provinces to choose how they implement the pricing.

### SALES OF PETROLEUM PRODUCTS PER CAPITA



Visit our website or email us at [info@cabaus.org](mailto:info@cabaus.org) for more information



Wind turbine owned by Massachusetts Water Resources Authority on Deer Island.  
Photo: Tim Carter

## BUSINESSES ARE ALREADY DOING IT

Carbon pricing is already becoming deeply embedded in business strategy. A growing number of companies — including Microsoft, Biogen, and ExxonMobil — are adopting internal carbon pricing to better assess the financial benefits and risks of investing in new projects. Businesses understand that their future stock valuations are at risk due to the effects of climate change.

Adoption of internal carbon prices by the private sector demonstrates the wide belief among business leaders that carbon emissions should, and will be priced by the federal and/or state governments. This trend will grow as businesses increasingly respond to the growing investor sentiment that carbon pollution poses significant financial risks.

## AN OPPORTUNITY TO CONTINUE MASSACHUSETTS LEADERSHIP

Massachusetts has a tradition of leadership on major issues from abolition to women's suffrage to universal healthcare. We can make history again by demonstrating that this innovative policy will not only reduce emissions, but also improve our economy. Our leadership will help move policy forward in other states and at the federal level, showcasing Massachusetts at the forefront.