

Politics of carbon pricing in the US

Harvard-Sciences Po Workshop on carbon pricing

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The conventional wisdom: Carbon pricing is dead in the U.S.

Vox

At last, a climate policy platform that can unite the left

The factions of the Democratic coalition have come into alignment on climate change.

By David Roberts | Updated Jul 9, 2020, 2:18pm EDT



Who killed the carbon tax, Democrats or Republicans?

By [Shannon Osaka](#)

September 28, 2020



Shannon Osaka

Climate Reporter
Grist

[@shannonosaka](#)

Why is carbon pricing so hard to pass in Congress?

1/6 The Waxman-Markey hangover



POLITICO



Rick Boucher lost in part because he failed to explain his work negotiating details of the climate bill.

Greens desperate to avoid blame

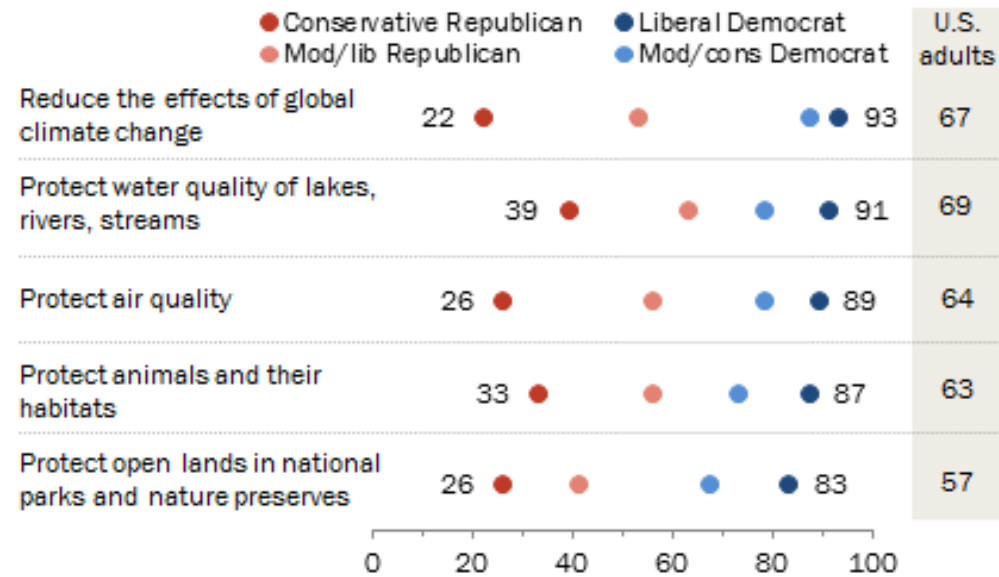
By **DARREN SAMUELSOHN** and ROBIN BRAVENDER | 11/04/2010 04:40 AM EDT | Updated 11/04/2010 11:41 AM EDT

Why is carbon pricing so hard to pass in Congress?

2/6 Climate is caught up in increased polarization, by party ...

Strong political divides over whether government is doing too little to protect the environment

% of U.S. adults who think the federal government is doing too little to ...



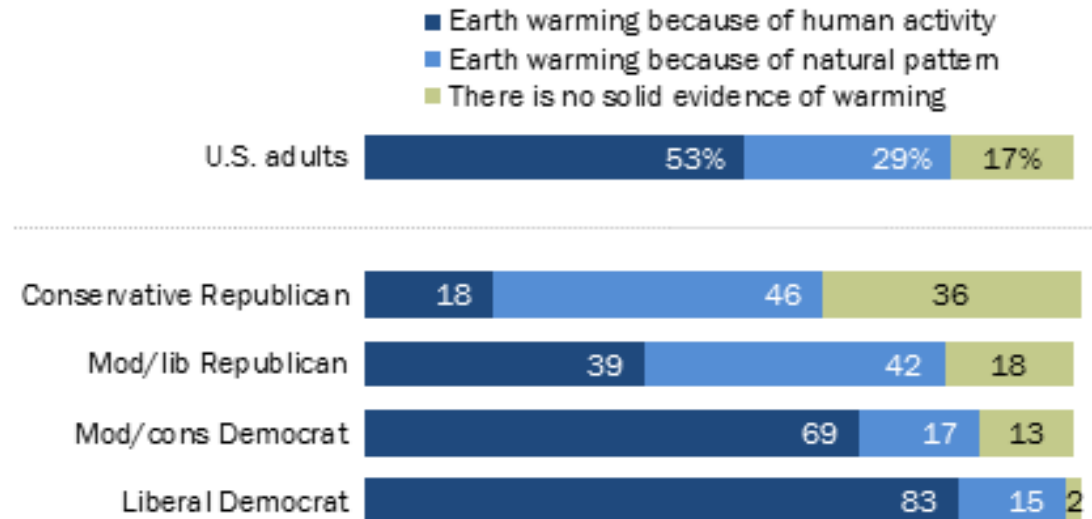
Note: Republicans and Democrats include independents and others who "lean" toward the parties. Respondents who gave other responses or did not give an answer are not shown. Source: Survey conducted March 27-April 9, 2018.

"Majorities See Government Efforts to Protect the Environment as Insufficient"

PEW RESEARCH CENTER

Democrats and Republicans tend to disagree over evidence of and main causes of climate change

% of U.S. adults who say ...



Note: Republicans and Democrats include independents and others who "lean" toward the parties. Respondents who did not give an answer are not shown.

Source: Survey conducted March 27-April 9, 2018.

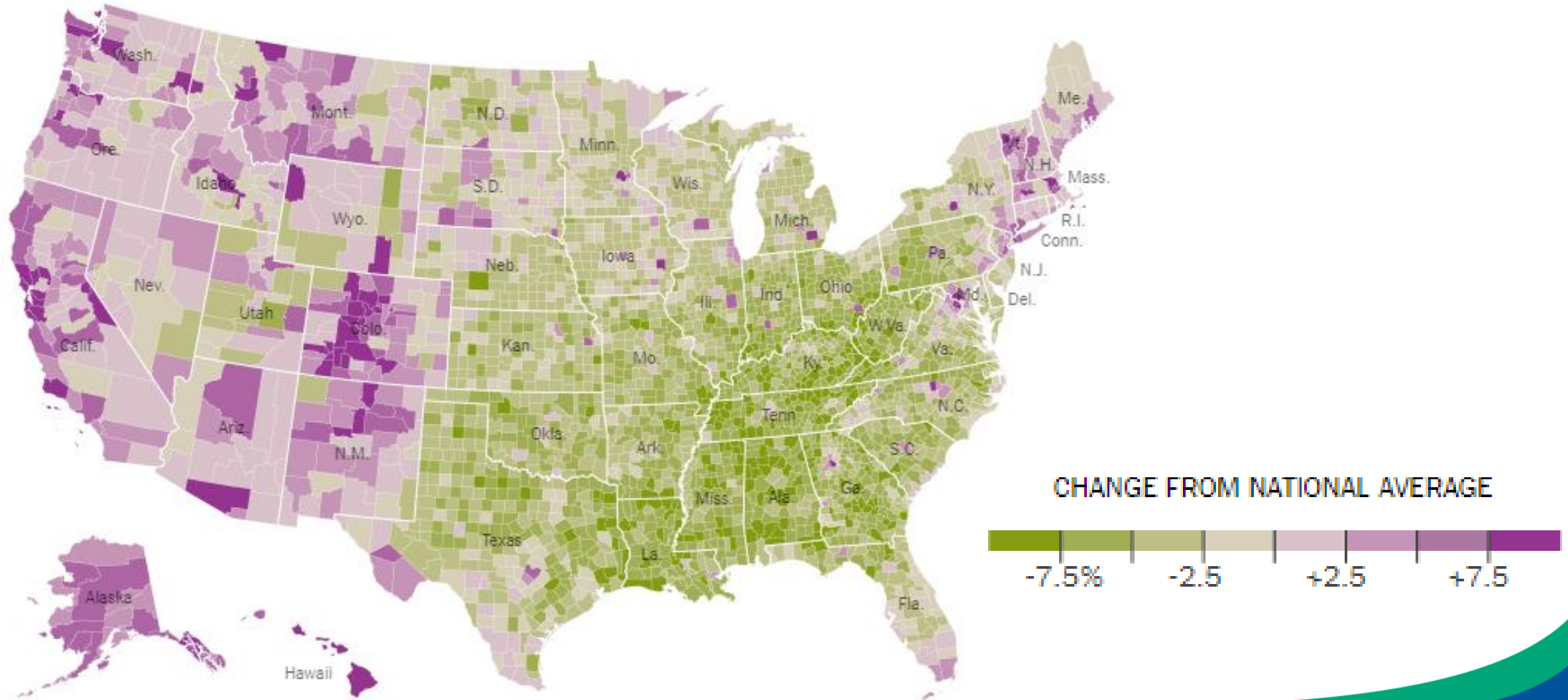
"Majorities See Government Efforts to Protect the Environment as Insufficient"

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Why is carbon pricing so hard to pass in Congress?

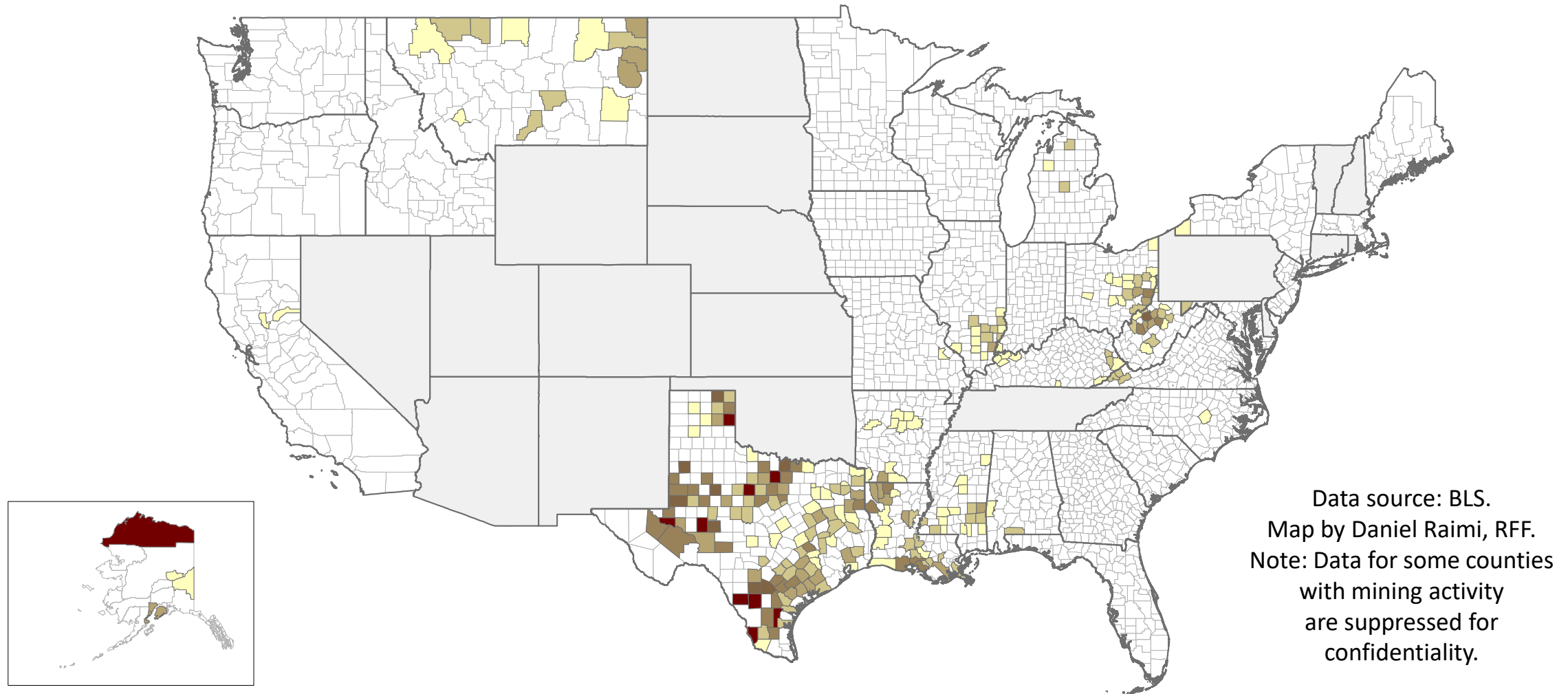
3/6 ... and increased polarization by geography.

Counties where adults discuss global warming at least occasionally



Why is carbon pricing so hard to pass in Congress?

4/6 The geography of fossil fuels reinforces those partisan lines.

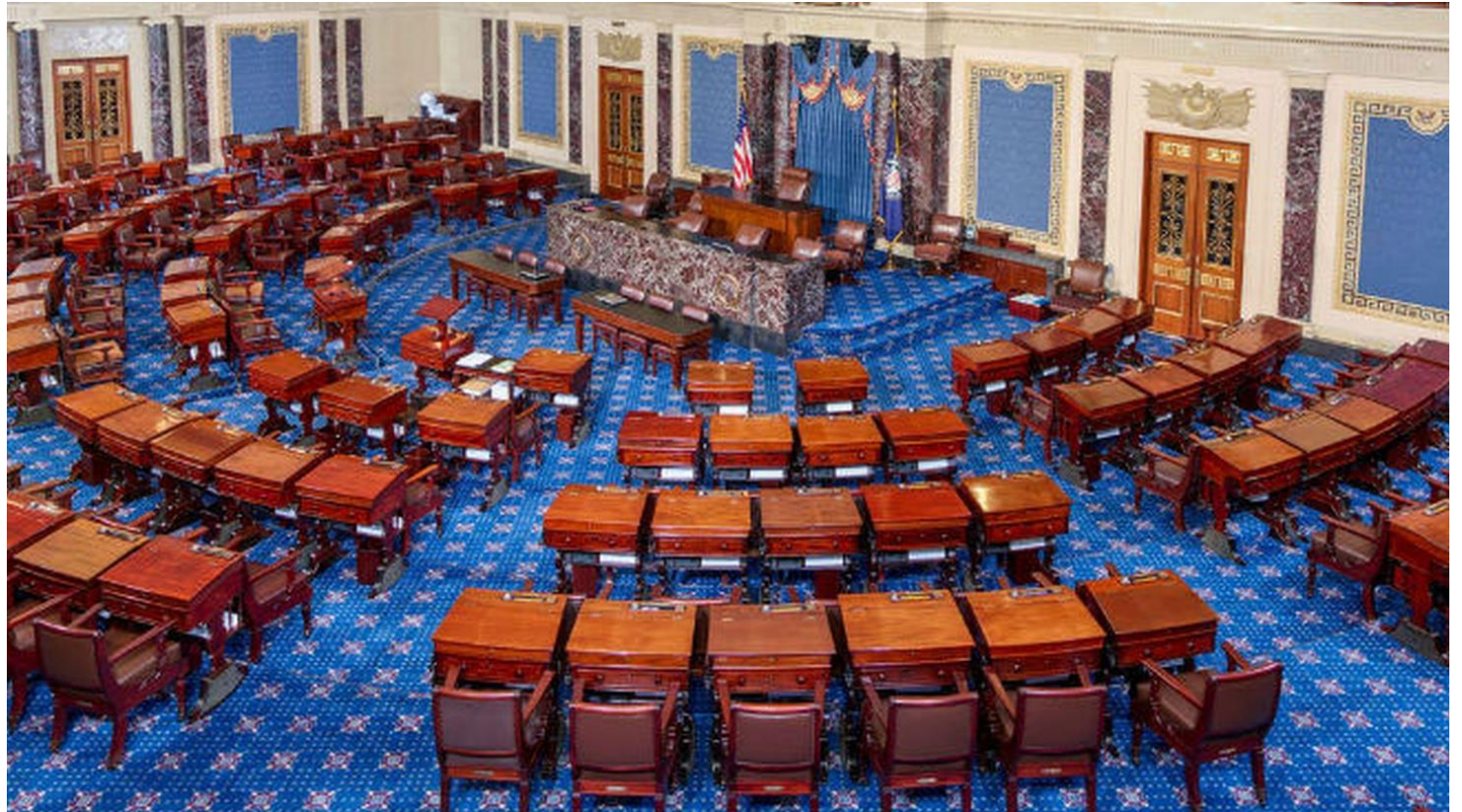


"Support activities for mining" (NAICS 21311) wages as a percentage of total county wages, 2015-2018

Why is carbon pricing so hard to pass in Congress?

5/6 Both patterns are compounded by the makeup of the Senate.

- 2 seats per state leads to over-representation of rural states
- 60 vote threshold for filibuster gives further power to the minority



Why is carbon pricing so hard to pass in Congress?

6/6 Carbon pricing increasingly faces opposition on the left.



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RISKS OF GLOBAL CARBON MARKETS AND CARBON PRICING

Report and Analysis

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STATELINE
ARTICLE

December 23, 2020

By: [Alex Brown](#)

Topics: [Energy and Environment](#), [Health & Justice](#)

Read time: 8 min



What are the factors in favor of carbon pricing?

1/4 Growing public support for and salience of climate action.

In exit polling after November election, 2/3 or more of voters said climate change was a serious problem ([CNN](#), [NBC](#)) or expressed concern about climate change ([FOX News](#))

According to a Morning Consult exit poll: [Majority of Biden and Trump voters say climate is important to their vote](#). Seventy-four percent of Biden voters said addressing climate change was very important in deciding whom to vote for.

Similar majorities supported Biden's climate plan ([New York Times/Siena College](#), October) or increased government spending on clean energy ([FOX News](#)). Even carbon pricing does well in some polls!

What are the factors in favor of carbon pricing?

2/4 Need for government revenue.

CBO

Option	Title	Options for Reducing the Deficit: 2021 to 2030	Savings, 2021–2030 ^a (Billions of dollars)
Revenues			
1	Increase Individual Income Tax Rates		114 to 884
2	Raise the Tax Rates on Long-Term Capital Gains and Qualified Dividends by 2 Percentage Points		75
3	Eliminate or Modify Head-of-Household Filing Status		62 to 158
4	Eliminate Itemized Deductions		1,718
5	Limit the Deduction for Charitable Giving		208 to 232
6	Change the Tax Treatment of Capital Gains From Sales of Inherited Assets		110
15	Increase the Payroll Tax Rate for Medicare Hospital Insurance		878 to 1,736
16	Increase the Payroll Tax Rate for Social Security		712 to 1,406
17	Increase the Maximum Taxable Earnings for the Social Security Payroll Tax		647 to 1,024
18	Expand Social Security Coverage to Include Newly Hired State and Local Government Employees		101
19	Increase the Corporate Income Tax Rate by 1 Percentage Point		99
27	Impose a 5 Percent Value-Added Tax		1,828 to 2,830
28	Impose a Tax on Emissions of Greenhouse Gases	@ \$25/ton	1,033
29	Impose a Tax on Financial Transactions		752

What are the factors in favor of carbon pricing?

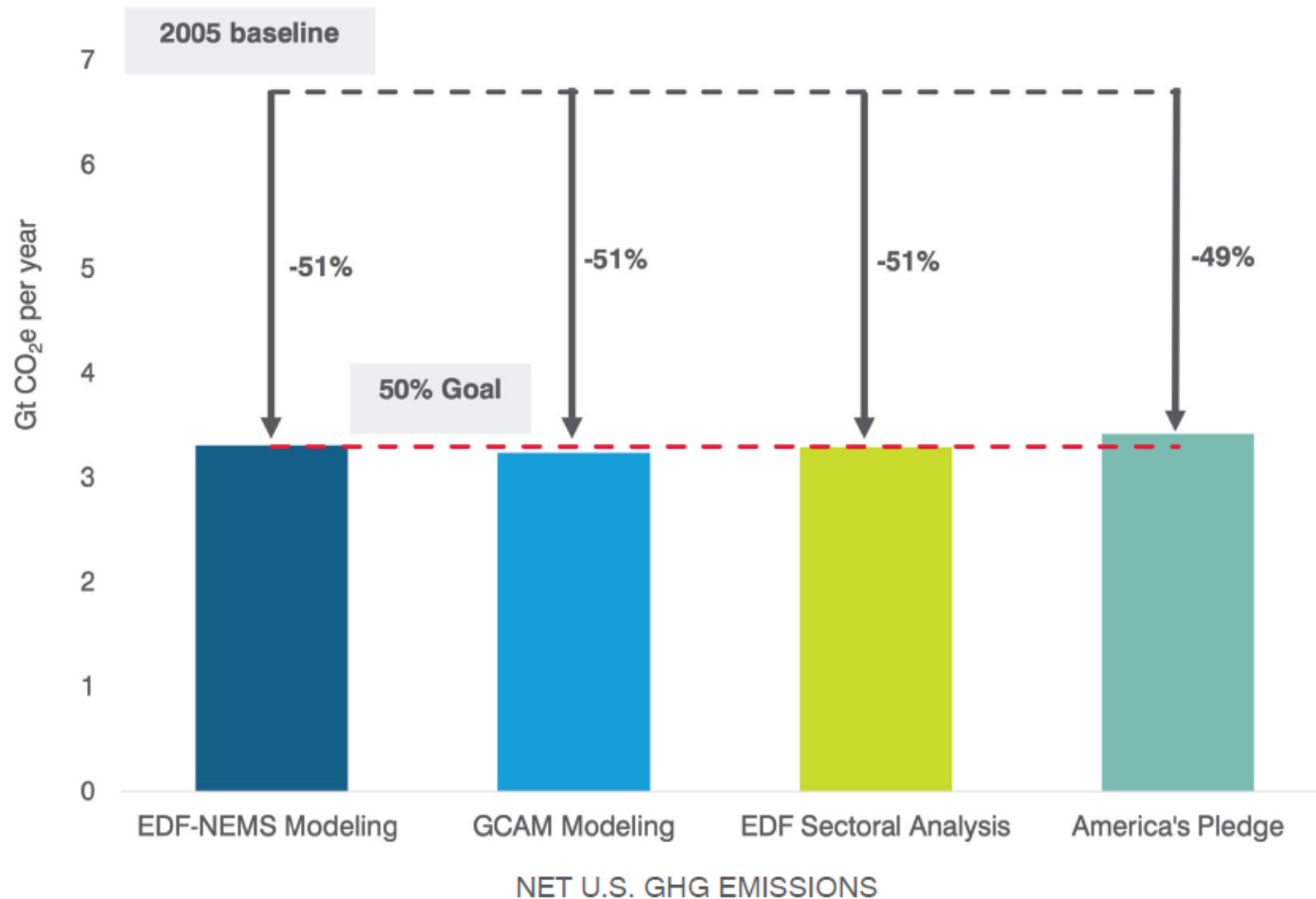
3/4 The need for ambitious cuts in GHG emissions.

President Biden campaigned on a Net Zero by 2050 target.

An ambitious NDC of 50% below 2005 levels by 2030 is feasible with a whole-of-government approach. Carbon pricing can facilitate that.

Could Paris be a forcing function for domestic ambition?

Figure 2: A range of analyses demonstrate that the United States can cut GHG emissions at least 50% below 2005 level by 2030



What are the factors in favor of carbon pricing?

4/4 The alternative is Clean Air Act regulation.

The alternative to carbon pricing, especially in the electric power sector, is Clean Air Act regulation.

- 111(b) restrictions on new & modified natural gas-fired generating units
- 111(d) standards on existing power plants (a la Clean Power Plan)
- Strengthened health-based restrictions on NO_x emissions under “Good Neighbor” provision of Clean Air Act
- Strengthened restrictions on remaining coal-fired power plants under air toxics provisions

While new regulations face legal challenges, industry craves certainty.

Prospects for federal carbon pricing policy

Two scenarios are plausible in this Congress – although far from likely:

1. Carbon tax in a budget reconciliation bill this summer to pay for infrastructure and stimulus spending.
2. Federal clean energy standard on electric power sector

Key issues

- Can Congress pass a CES through reconciliation?
- Even to get to 50, you need Joe Manchin (D-WV).
- Is there enough demand for revenue to pass a carbon tax?
- How much risk is posed by Clean Air Act regulation?



Thank you!

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