

Status and Prospects for Carbon Pricing in the United States

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Workshop on Prospects for Carbon Pricing in
Europe and the United States

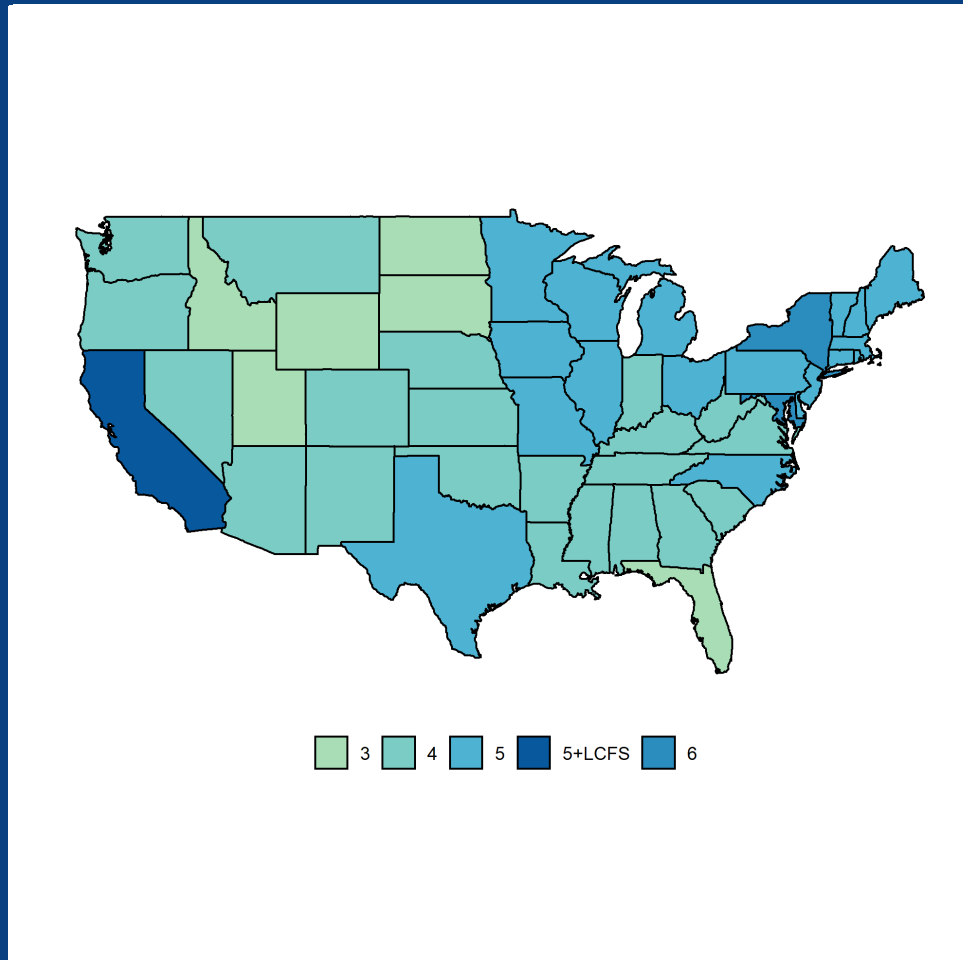
Harvard University and Sciences Po

March 16, 2021

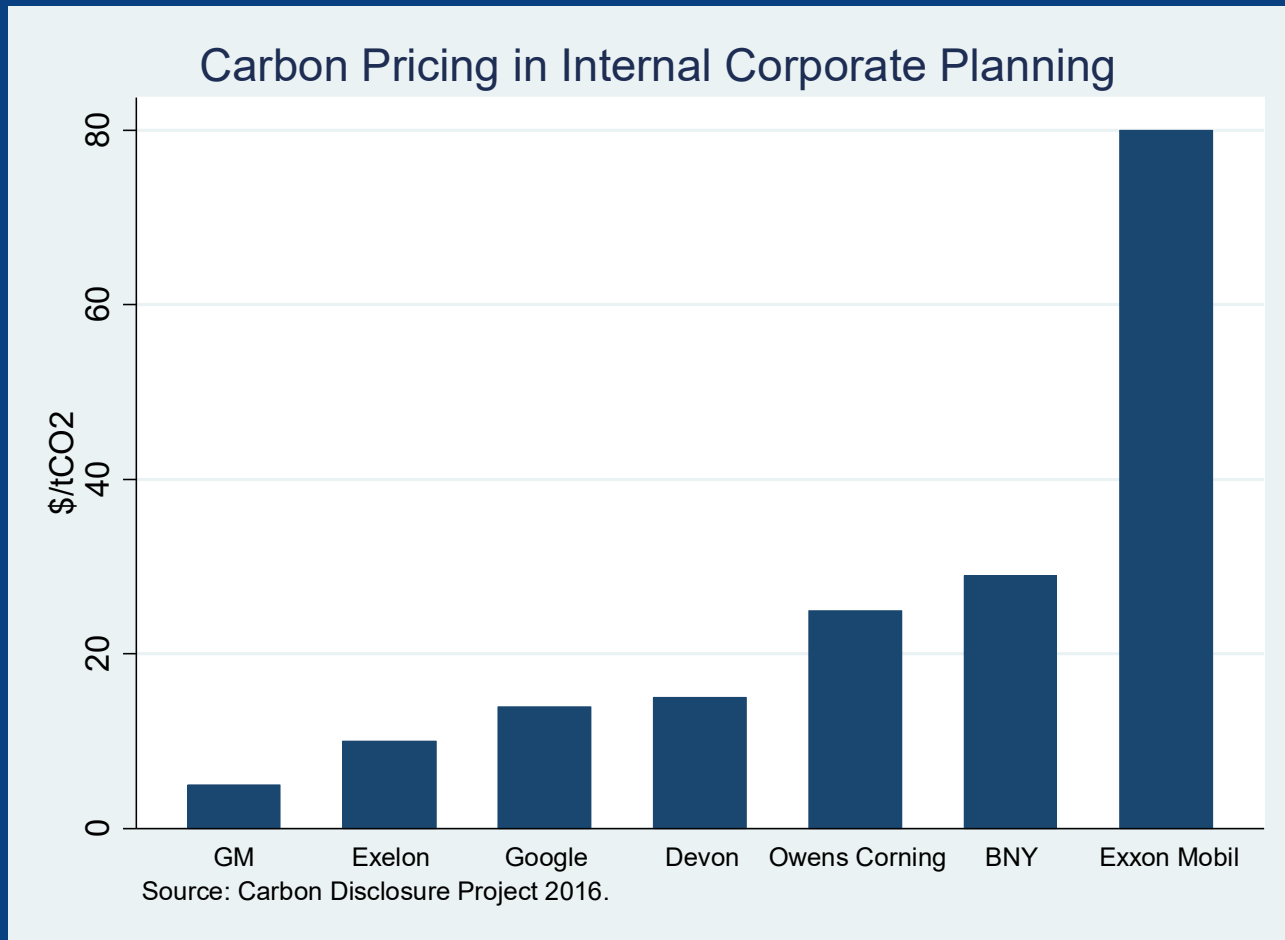
Revealed Preference in Support of Policies that Price Pollution

Cap-and-Trade and Tradable Performance Standards across United States

State CO₂ C&T
+
State Renewable
Portfolio Standards
+
Cross-State Air
Pollution Rule
+
Renewable Fuel
Standard
+
Gasoline Benzene
Credit Trading
+
Gasoline Sulfur
Credit Trading
+
CA LCFS



Corporate Internal Carbon Pricing, 2016



Policy Approaches that Price Pollution

Three Ways to Reduce Emissions

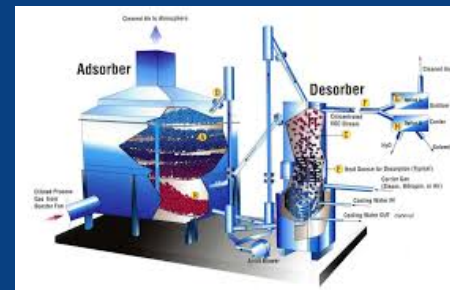
Raise the price of fossil energy

Carbon Tax / Clean Energy Standard



Prescribe low- and zero-emissions technologies through regulations

Social Cost of Carbon



Subsidize investment in low- and zero-emissions technologies

Technology-neutral Tax Credits



U.S. Economists Still Like Carbon Taxes

THE WALL STREET JOURNAL.

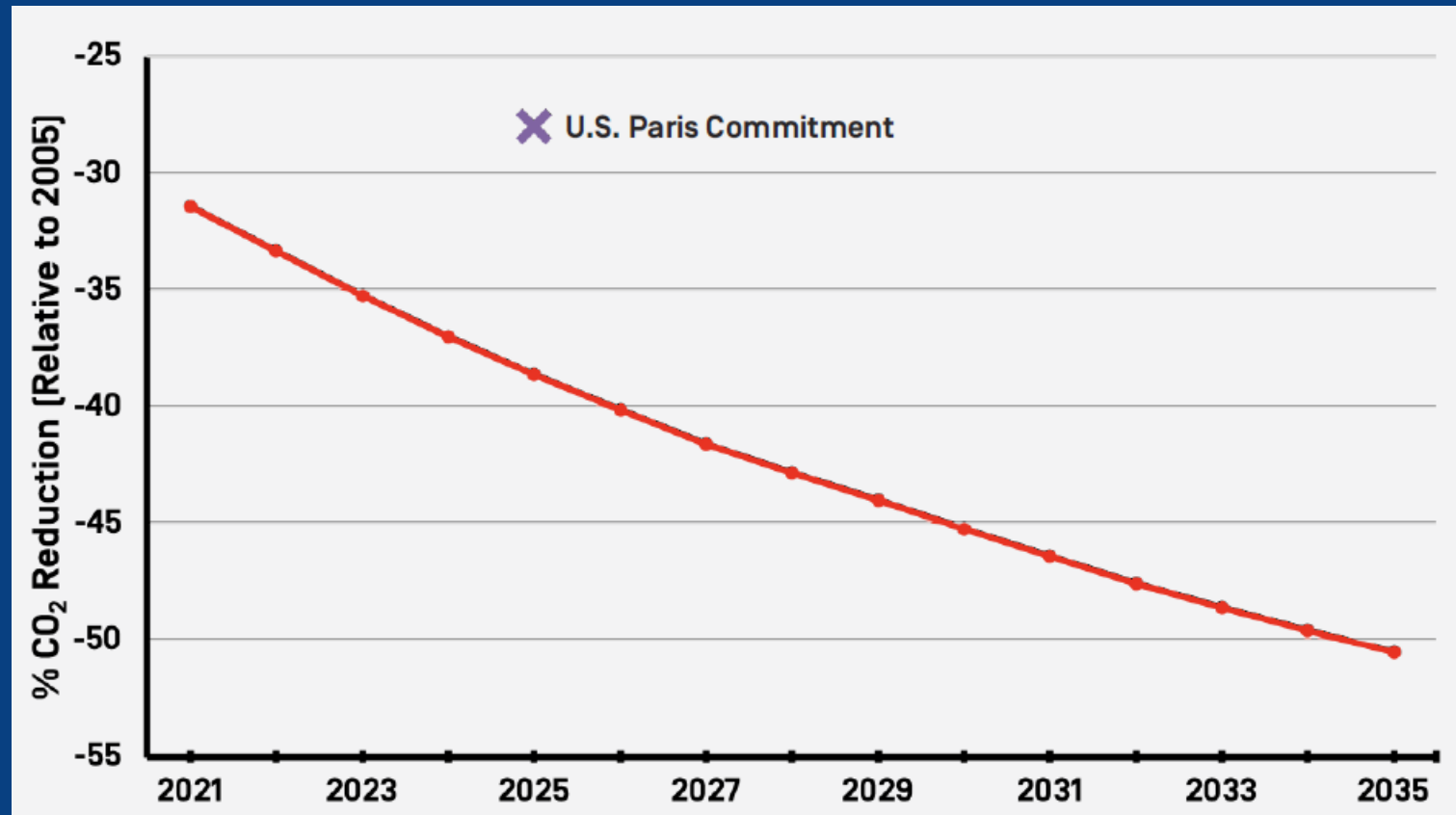
THURSDAY, JANUARY 17, 2019

Original Co-Signatories Include (full list on reverse):

- 4** Former Chairs of the Federal Reserve (All)
 - 27** Nobel Laureate Economists
 - 15** Former Chairs of the Council of Economic Advisers
 - 2** Former Secretaries of the U.S. Department of Treasury
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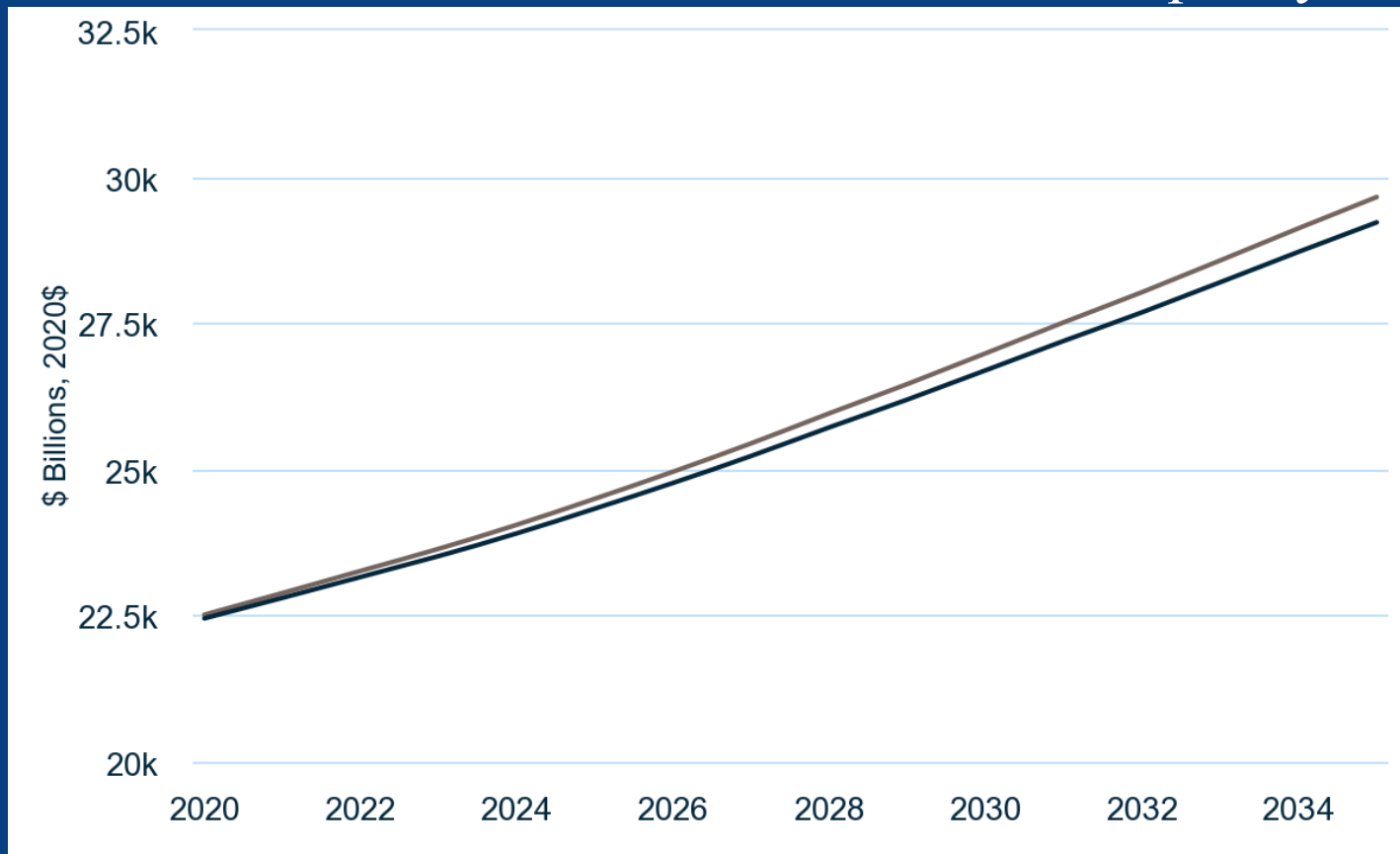
Economists' Statement on Carbon Dividends

Environment: Emissions Outcome



Economic Costs

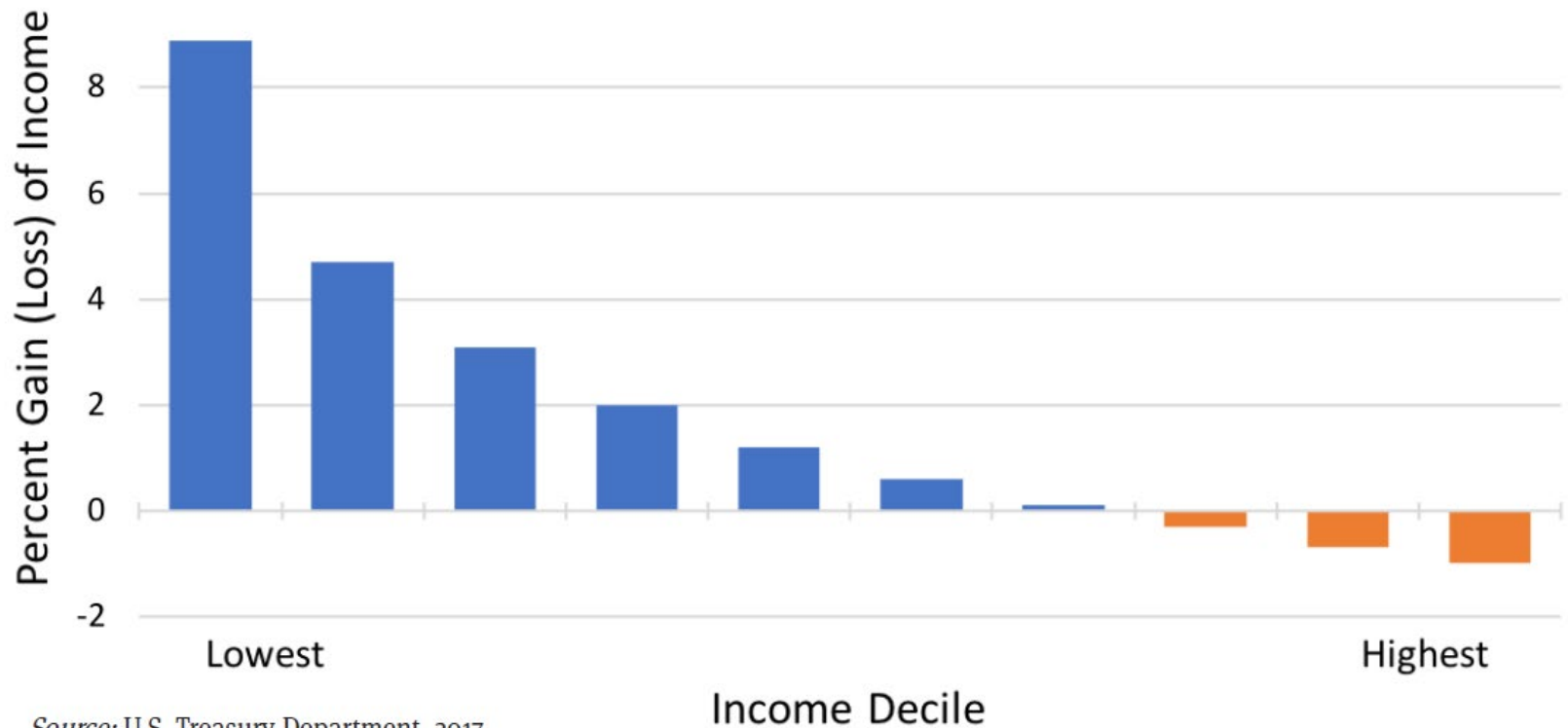
GDP under \$40/tCO₂ tax and no climate policy



Source: RFF Carbon Pricing Calculator.

<https://www.rff.org/publications/data-tools/carbon-pricing-calculator/>

Distributional Impacts



Political and Institutional Barriers

Barriers

- Closely divided Congress
- Judicial review risks of regulations
- How could policy design influence the political economy of future climate policy?
 - Price certainty, emissions certainty, revenues, competitiveness, distributional consequences, coordination with states, leveraging international action, broader policy portfolio

Thank You!

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