

Carbon Fee

Key Points:

☛ **Pollution Will Fall:**

The CO2 pollution that causes climate disruption would be cut by more than any single regulatory policy that the state operates now or is considering.

☛ **Households and businesses will be protected:**

Modeling shows that we could give back to low- and moderate-income households at least as much money as they would pay in higher costs for fossil fuels. After getting rebates, almost all businesses would face quite small changes in their net costs.

☛ **Employment will rise:**

Mainly because the bill would cause Massachusetts to spend billions of dollars less on importing fossil fuels, and instead spend more on in-state businesses, several thousand more jobs would be created due to the carbon fee.

☛ **The economy will benefit:**

There would be little overall impact on the state economy, with small gains in important measures such as average personal income.

SB 1821 - An Act Combating Climate Change

Filed By Senator Mike Barrett

AIA MA Position

As climate change is the greatest environmental threat facing the planet, and as it has already begun raising sea levels, causing droughts and floods to worsen, and making storms more intense, AIA MA supports the creation of a statewide carbon fee as an incentive to cut the use of fossil fuels.

Action Sought

The vast majority of economists, from conservative to liberal, agree that the most cost-effective way to cut carbon pollution is to add a pollution charge to fossil fuel prices (electricity generation would be exempt because it is already covered by other programs). Such a charge would give energy producers and consumers a strong incentive to shift from fossil fuels to clean energy – while having the freedom to decide how to do so. As such, AIA MA urges the state legislature to enact SB 1821 - An Act Combating Climate Change, filed by state Senator Mike Barrett (D – Lexington).

Explanation and Justification

There is worldwide agreement among experts that putting a price on pollution to reflect the harmful impacts of climate change is the most cost-effective way to achieve the deep cuts in emissions that are necessary to protect our climate. The effective RGGI program among nine northeastern states, including Massachusetts, has contributed to a 50% cut in power sector carbon pollution. California, several Canadian provinces, and much of Europe already have broad-based carbon pollution fees, while China has begun to implement such charges.

Massachusetts state law requires that we cut greenhouse gas emissions (primarily carbon dioxide, or CO₂) to 25% below 1990 levels by 2020 and to at least 80% below 1990 by 2050. This will require a dramatic shift from fossil fuels to clean energy such as solar and wind, while greatly improving the efficiency of our energy use.

We need a strong price incentive to cut use of fossil fuels, but the government doesn't have to keep the money. Instead, SB 1821 would return the money to households and businesses, so that their living standards and competitiveness are protected. For the CO₂ charges paid by people, each state resident would receive an equal share of the total money collected. For charges paid by businesses and other institutions, each would get a rebate in proportion to its share of total employment in Massachusetts.

