NCEL Fact Sheet

CARBON PRICING

CLIMATE & ENERGY

Overview

States are taking action to mitigate climate change by charging emitters for carbon dioxide and greenhouse gas (GHG) emissions. There are multiple policy models states have looked to to both curb emissions and strengthen their energy economies in the process. What follows is a summary of these models and examples of introduced legislation that utilize them.

Policy Models

Revenue positive pricing schemes accrue new revenue for the state, which can be reinvested in renewable energy deployment or distributed in other state programs and funds.

- Legislative examples: Hawaii S.B.1463, Montana H.B.193, New Mexico S.B.393, and Rhode Island H.5869

Revenue neutral pricing schemes don't accrue new revenue, instead they offer rebates back to consumers directly or by replacing other taxes whose revenue stream can be covered by a carbon price.

- Legislative examples: Connecticut H.B.6451, and Vermont H.463.

Cap-and-trade systems set a cap on allowable GHG emissions and distribute limited emission permits that can be purchased and traded amongst emitters. This system uses market forces to set a price on GHGs. An example is the Regional Greenhouse Gas Initiative, a cooperative effort among several east-coast states to cap and reduce CO2 emissions from the power sector.

Cap-and-invest systems allocate the funds generated by the sale of permits to specific programs and other efforts to reduce GHG emissions.

- Washington's S.B.5126 (2021) is an example of this model.

Study commissions are created to better understand the policy impacts of a carbon price within a state. Commissions are usually composed of private, public, and academic representatives to carry out research, providing recommendations to the state legislature and executive on policy paths for pricing carbon. .

- Examples of this include: Maine L.D.434 (2019), New Hampshire S.B.75 (2019), and California S.B.43 (2019).

KEY POINTS

- The public pays for the negative impacts to health, environment, and climate from fossil fuel emissions. Putting a price on carbon shifts those costs back onto industry emitters.
- Businesses agree that putting a price on carbon would bring predictability to energy prices, provide long term savings, and reduce the economic costs of climate change. Almost 1,400 companies, including more than 100 Fortune Global 500 companies, impose an internal carbon price for that very reason.
- Renewable energy is now more cost competitive to conventional fossil fuels, and in some regions is the lowest-cost option, making a shift to a clean energy economy more feasible. Setting a price on carbon will aid that transition without burdening consumers.
- States can utilize a carbon price as a new revenue source to invest in infrastructure modernization, support clean energy deployment to underserved communities, and spur economic growth by offsetting other taxes levied on the public.

Other Resources

- You can find the latest news, talking points, active legislation, and reports on NCEL's carbon pricing page here: ncelenviro.org/issue/carbon-pricing/
- The Union of Concerned Scientists has a helpful primer on carbon pricing and emission reductions here: http://www.ucsusa.org/global-warming/reduce-emissions/cap-trade-carbon-tax
- A report from the Brookings Institution on state policy options and opportunities for a carbon tax can be found here: https://www.brookings.edu/wp-content/uploads/2016/07/State-level-carbon-taxes-Options-and-opportunities-for-policymakers.pdf

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