Op Ed: NH Legislature attempts to remove our best climate solution

Published in the Concord Monitor on January 19, 2022:
https://www.concordmonitor.com/My-Turn-Climate-solutions-44567351

As the importance and likelihood of enacting strong climate policies increases, it is essential to keep all of our options open, and enact the policies that will be the best for the climate, the people, and the economy. We need options that reduce carbon emissions rapidly, protect Americans financially, ensure that our businesses can compete on a level playing field in the global market, and have influence on emissions at a global scale.

The best policy option for satisfying these objectives is cash-back carbon pricing, according to the most-supported public statement by Economists ever about any topic. A cash-back carbon pricing policy imposes a fee on fossil fuel producers that starts low but grows steadily every year. All of the money collected from the fee is distributed to American households as a cash-back dividend on an equal, per capita basis each month. At the federal level, a border carbon adjustment is used to impose our carbon price on imports from other countries that do not have a matching carbon price in place, thereby protecting the competitiveness of US businesses and incentivizing global climate action. Federal cash-back carbon pricing has been introduced in Congress as the Energy Innovation Act.

This approach would be great for New Hampshire's people and economy. However, there are efforts in the NH State House to oppose federal and state carbon pricing initiatives. Representatives Bernardy, Notter, White, and Cambrils are sponsoring HR 17: "A RESOLUTION opposing all federal and state efforts to establish a carbon tax on fuels for electricity and transportation." HR 17 points out the following four problems with poorly-designed carbon pricing policy, and incorrectly implies these problems are inherent in any carbon pricing policy, so we should therefore renounce their use altogether.

First, HR 17 claims that pricing carbon will cause gasoline and electricity prices to rise, making transportation and power "less affordable for millions of Americans". Under the Energy Innovation Act (the federal cash-back carbon pricing bill), energy prices will rise slightly, but average annual energy costs per capita will remain below their recent peak during the 2008 commodities crisis. Most importantly, those increased costs would be offset by the cash-back dividend, so that 85% of all households and 99% of the poorest fifth of households break even or come out ahead.

Second, HR 17 warns that "a carbon tax in the United States will have no impact on China, India, and other major sources of carbon emissions throughout the world". This is incorrect in the case of nearly every proposed carbon pricing policy. In fact, carbon pricing is the only policy that allows us to hold China, India, and other major international carbon emitters accountable for their emissions. Most federal carbon pricing bills, including the Energy Innovation Act, use border carbon adjustments to do this; and World Trade Organization rules only allow border carbon adjustments to be used with an explicit price on carbon, not with other policies like regulations, subsidies, or incentives.

Third, HR 17 states that a carbon tax "will put United States exporters and manufacturers at a competitive disadvantage by increasing domestic manufacturing production costs". This again overlooks the border carbon adjustment component of nearly every federal carbon pricing proposal, which charges our carbon price on imports and rebates our carbon price to our exporters during trade with other countries that do not have a similar carbon price. And since US manufacturers are less carbon intensive than those in developing countries, pricing carbon actually gives United States exporters and manufacturers a competitive advantage.

Fourth, HR 17 argues that "the sole purpose of the tax code should be to fund necessary government functions rather than to manipulate consumer decisions". This is a questionable values-based statement. Another function of government is to protect life and property, which includes addressing market failures that pose a clear and present danger to citizens and the nation. The way to correct the energy market's failure to account for the costs of the pollution from fossil fuels that requires the least government intervention is by pricing carbon.

In conclusion, effective carbon pricing, such as the Energy Innovation Act, is a three-part policy: a carbon fee paid by fossil fuel producers, an equal household dividend, and border carbon adjustments. HR 17 ignores the latter two necessary parts, and disregards the positive impacts that a carbon price will have on our climate and our children's future. We should not take carbon pricing off the table as we consider implementing climate solutions. The NH State-Federal Relations and Veterans Affairs Committee will host a hearing on HR 17 on January 20th at 11:15 am. Before then, please go to the online Gencourt NH House Remote Sign-in Sheet to register your opposition to HR 17 to help give our best climate solution a chance.