

# Federal Carbon Pricing is Inevitable. New Hampshire Can Prepare.

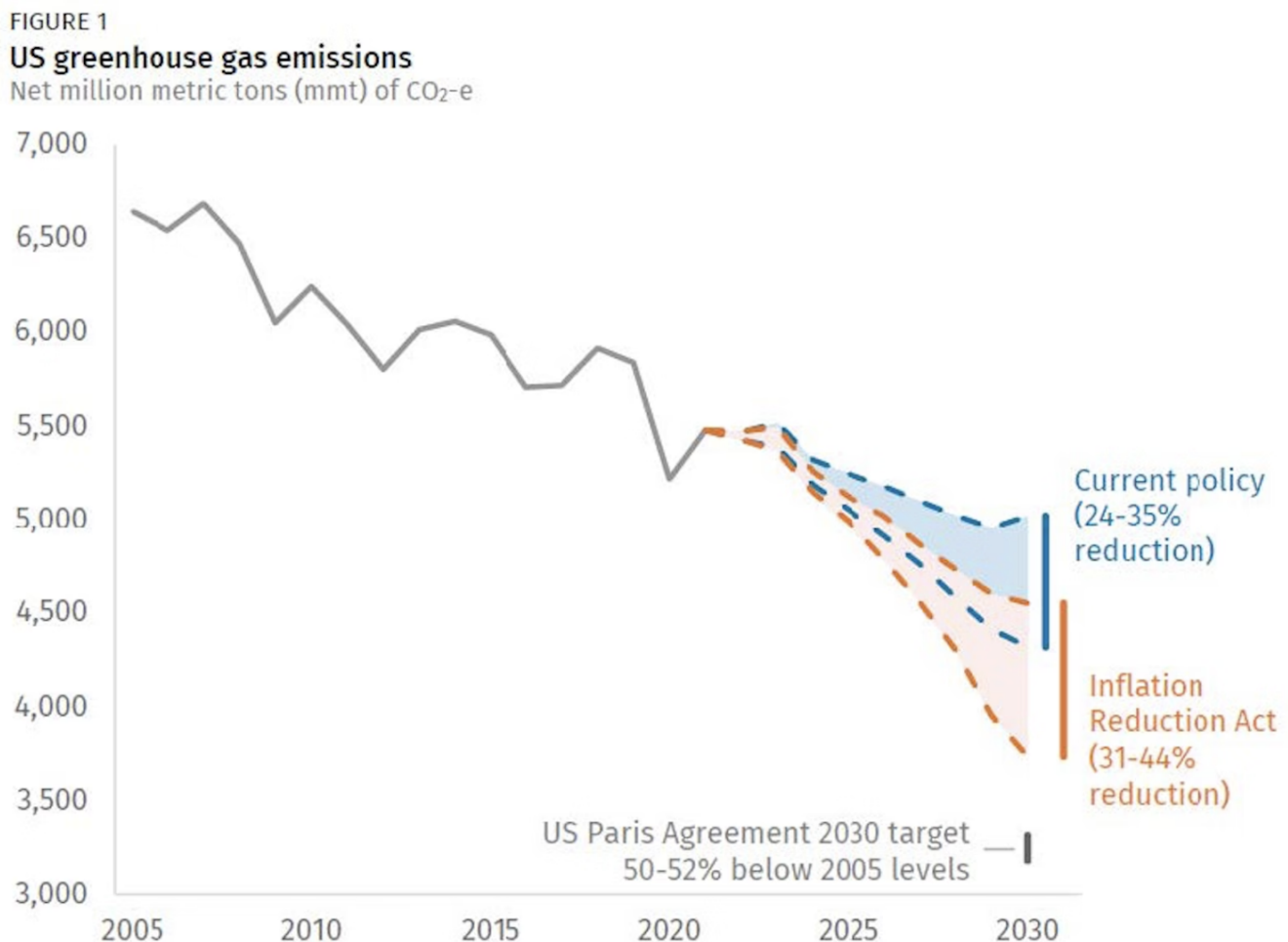
By John Gage - [bit.ly/ccbinevitable](https://bit.ly/ccbinevitable)

There is [scientific consensus](#) that we have a climate pollution problem. The costs, damages, and losses to human health, safety, security, the economy, and life on Earth are mounting at the international, national, and state levels:

- International: [IPCC - Sixth Assessment Report](#)
- National: [US Global Change Research Program - Fourth National Climate Assessment](#)
- State: [UNH State Climatologist - 2022 New Hampshire Climate Assessment Report](#)

It is important to make the most of the money available from the federal Inflation Reduction Act (IRA) and other local policies to help families, towns, and our state afford the transition to clean energy. However, there is still a large policy gap remaining to achieve critical climate goals.

Consider Figure 1 from Columbia University's report, "[What the Inflation Reduction Act Does – and Doesn't Do – for Climate](#)":



Source: Rhodium Group. The range reflects uncertainty around future fossil fuel prices, economic growth, and clean technology costs. It corresponds with high, central, and low emissions scenarios detailed in [Taking Stock 2022](#).

Analysts predict a range of possible emissions reduction outcomes from the IRA because of unknowns such as future fossil fuel prices, ease of transmission expansion, and the dependence on clean energy permitting reform. Two important takeaways are:

1. **The IRA has little global impact.** Since US emissions comprise 15% of global emissions and there is nothing in the IRA to encourage other countries to follow our lead, a 10% reduction of US emissions by 2030 from the IRA will produce a 1.5% reduction of global emissions by 2030.
2. **Current policies are insufficient to meet US goals.** Even after the IRA, a gap of 6-19% of reductions from 2005 levels remains to achieve the US goal of 50% emissions reductions by 2030.

It will take work to make the most of the IRA, additional policies are needed to fill the gap to drive US greenhouse gas emissions down 50% from 2005 levels by 2030, and we must motivate other countries to do their part to meet global targets.

### What else is needed?

Nearly every leading economist agrees that putting a price on climate pollution at the source is the most necessary and cost-effective policy to address the problem, and that it has the power to drive global action:

- *“Carbon pricing has long been recognized by economists as a core policy necessary to underpin an economically efficient transition to a low-carbon economy.”* - [OECD](#)
- *“Explicit carbon prices remain a necessary condition of ambitious climate policies”* - [IPCC SR15](#)
- *“We cannot solve the climate crisis without effective carbon pricing.”* - [US Treasury Sec. Janet Yellen](#)
- Climate clubs, popularised by Nordhaus (2015), are *“coalitions based on joint commitments to climate action, with penalties imposed on countries not part of the club. Analysts have proposed that such penalties could be imposed in the form of a BCA, implemented with the intention not only of preventing carbon leakage from countries within the club, but also to encourage greater participation and therefore greater overall ambition on emissions”* - [OECD](#)

### What Price?

At COP27, leaders recommitted to limiting global warming to 1.5°C above preindustrial levels. According to the IPCC, this requires reducing greenhouse gas emissions by 50% by 2030 and to net-zero by 2050. Over seventy countries have committed to net-zero targets ([UN](#)). Economists have calculated the carbon prices required to achieve those goals. A conservative estimate is \$135 per metric ton of CO<sub>2</sub> in 2030 and increasing \$10 more per year afterward:

- *“Estimates for a Below-1.5°C pathway range from \$135–\$6050 / tCO<sub>2</sub>e in 2030”* - [IPCC](#)

## Viability and Durability

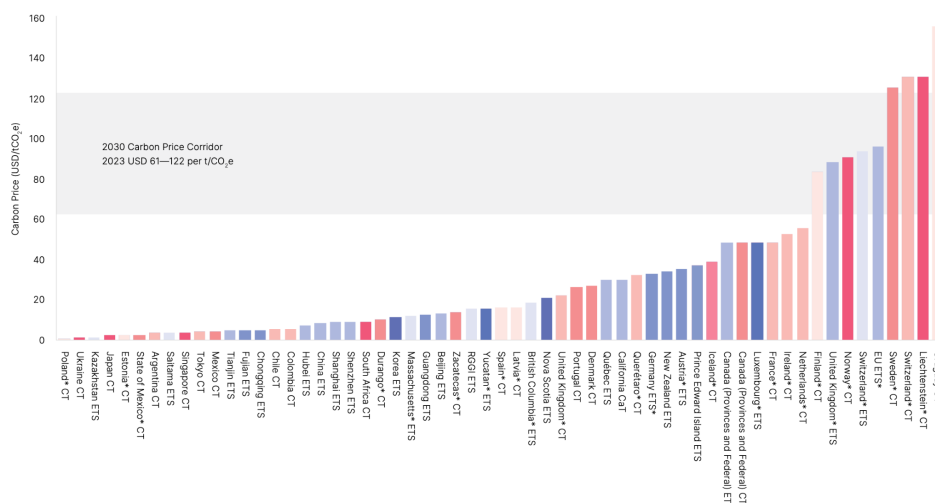
A carbon tax could have a regressive impact on households and impose a competitive burden on manufacturers of energy-intensive goods. For those reasons (as well as manufactured resistance by the fossil fuel industry and free market fundamentalists), political reluctance to price carbon has delayed important federal legislation for decades. The [Carbon Fee and Dividend policy](#) addresses all those concerns.

To address regressivity, ensure the policy is popular when implemented, and support the high price required, experts recommend giving the money collected from fossil fuel producers to families in monthly per-capita cash-back rebates:

- "Carbon pricing is most effective if revenues are... returned to taxpayers corresponding to widely accepted notions of fairness" - [IPCC AR6](#)
- "To maximize the fairness and political viability of a rising carbon tax, all the revenue should be returned directly to U.S. citizens through equal lump-sum rebates." - [Economists' Statement](#)
- 85% of all U.S. households would get all or more than all of their higher costs covered (including 95% of the least wealthy 60% of households) by equal lump-sum rebates - [Household Impact Study](#)

To protect business competitiveness, economists recommend applying a commensurate carbon tariff on imports and rebating exporters to levelize the built-in cost of climate pollution in trade with free-polluting countries:

- "To prevent carbon leakage and to protect U.S. competitiveness, a border carbon adjustment system... would enhance the competitiveness of American firms that are more energy-efficient than their global competitors. It would also create an incentive for other nations to adopt similar carbon pricing." - [Economists' Statement](#)



Carbon prices relative to the UN's 2°C target price corridor. [World Bank](#), 2023 - State and Trends of Carbon Pricing 2023. © <http://hdl.handle.net/10986/39796> License: CC BY 3.0 IGO.

## Carbon Pricing Signals

Several trends indicate US carbon pricing is coming soon:

1. Carbon pricing is spreading, and prices are rising. It is used in 73 countries and regions (including all but 2 developed countries) and covers 25% of all fossil fuel use. The EU price recently tripled to \$85, and [Canada](#) is using Carbon Cash-Back to rise from \$50 now to \$135 in 2030. China began pricing carbon in 2021. See Figures 1-6 in the World Bank's "[State and Trends of Carbon Pricing 2022](#)".
2. US businesses will soon pay a carbon price on exports of energy-intensive goods to some of those countries, starting with the [EU's CBAM](#). [Canada](#) is preparing, and [Japan](#) and the [UK](#) are considering CBAMs too. [Carbon border adjustments](#) strongly motivate trading partners to price carbon to avoid paying others for pollution.
3. Businesses recently pressured US Senate Republicans to ratify the Kigali Amendment to the Montreal Protocol (to address HFC climate pollution) to keep US businesses competitive and monetize cleaner US production ([Grist](#)). It passed 69-27. Similarly, US business support for federal carbon pricing is growing as other countries' carbon prices rise and CBAMs are deployed.
4. Support for cash-back carbon pricing continues to grow in Congress. Senate Democrats only missed including it in the IRA by 1 vote ([Bloomberg](#)), Senate Republicans are [speaking out in favor of the approach](#), and support for the Carbon Cash-Back bill has increased in the last three Congressional sessions (most recently with 96 co-sponsors – [energyinnovationact.org](#)).
5. Bipartisan support is strong for a CBAM or carbon import tariff to give US producers a competitive edge over dirtier producers. Help Congress accelerate it at [cclusa.org/prove](#).
6. Public support for Carbon Cash-Back is strong. National polling (see [CLCouncil](#) and [Yale Climate Communications](#)) finds 70-75% support it. In New Hampshire, 75% of the 45 towns that voted on it [passed a resolution](#) to ask for legislation of Carbon Fee and Dividend at the state and federal levels.
7. The IRA only gets the US halfway to our 50% reductions by 2030 goal (10% of the 20% needed in addition to the 30% business-as-usual emissions reductions previously expected since 2005). And the IRA 10% is [not guaranteed](#). Whatever the gap, it can be filled with bipartisan legislation of Carbon Fee and Dividend ([Columbia](#)) if done soon.

## It's Urgent!

The IPCC's minimum target price of \$135 in 2030 would have been easier to achieve gradually over 13 years (as Canada is doing) than if we start now. The longer the US waits to get started, the steeper our annual increase will have to be to catch up to our trading partners, whose prices will continue rising afterward. If we don't act soon, the target 2030 price will have to increase because it was calculated in 2017 under the assumption that the price signal would be steadily growing since then. The later we start, the higher a price will be required to accelerate the decarbonization of the economy to make up for the lost time and extra carbon

emissions that occur in the meantime. We must act soon to close the growing US carbon price gap before it is out of reach ([bit.ly/carbon-price-gap-pdf](https://bit.ly/carbon-price-gap-pdf)).

## What difference can we make in New Hampshire?

*"To set the stage for strong and durable action, there also has to be organizing outside the Beltway – efforts to marshal enough public support, at the state and district levels, to create the conditions for legislative breakthroughs."*

[theinvadingsea.com/2022/10/05/despite-critics-skepticism-the-u-s-is-closer-than-you-think-to-a-doing-carbon-pricing/](https://theinvadingsea.com/2022/10/05/despite-critics-skepticism-the-u-s-is-closer-than-you-think-to-a-doing-carbon-pricing/)

Local energy leaders can help accelerate federal carbon pricing legislation by learning about it, informing others about it, and supporting it.

## How New Hampshire Can Prepare

Since a federal carbon price is likely sometime this decade, it is prudent for our state to prepare now. We can do that with state-level legislation:

1. Commission a study on the likelihood and impacts of federal carbon pricing on New Hampshire, and how to prepare (2025 HB306)
2. Establish greenhouse gas emission reduction goals for the state and establish a climate action plan (2024 [HB208](#))
3. Invest in energy efficiency, accelerate clean energy deployments and electrification of heating and transportation, and reject new fossil fuel infrastructure and heating and transportation proposals
4. Use [a proxy carbon price](#) to anticipate a federal price of \$135 / tCO<sub>2</sub> in 2030 (HB278)
5. Undo some backward moves made in the 2022 session (HR17 and preemption of municipal rules to prevent fossil fuel use expansion)
6. Impose a gradually increasing moderate state-level cash-back carbon fee on imported fossil fuels that will be eclipsed by a future federal carbon price (as recommended by [local experts](#))

The New Hampshire Network's climate and legislative working groups and associated organizations, such as Citizens' Climate Lobby, are working on these at the state level. Please join a group and become an active member.

For a primer on the expert's #1-recommended carbon pricing policy, see [bit.ly/ccbresources](https://bit.ly/ccbresources) for the following:

1. A US economists' statement supporting the carbon cash-back approach
2. The Carbon Fee and Dividend policy (one-pager)
3. Summary of a Household Impact Study showing low- and middle-income households are helped and protected by Carbon Fee and Dividend

4. Carbon Fee and Dividend has bipartisan support. For Republicans to consider - Shultz:  
A Conservative Climate Solution.
5. The growing US carbon price gap.

See [carboncashback.org/benefits](https://carboncashback.org/benefits) for additional analyses of the emissions-reducing power and co-benefits of the Carbon Fee and Dividend policy, then go to [carboncashback.org](https://carboncashback.org) and consider putting the Carbon Cash-Back Climate Resolution on your town's 2024 warrant to help share the solution with others and give your town's voters a chance to tell Congress your town supports it. Citizens can email their support to Congress at [cclusa.org/write-cfd](https://cclusa.org/write-cfd). Businesses, organizations, and community leaders can help by lobbying for it and endorsing the approach at [cclusa.org/endorse](https://cclusa.org/endorse).