


U.S. needs to impose carbon tax

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The time has come to talk about a tax on the carbon content of fossil fuels. Conservatives such as President Reagan's Secretary of State George Schultz, former S.C. congressman Bob Inglis, Exxon Mobil and other corporations, and many free-market thought leaders are in favor of a carbon tax. The Washington Examiner reports that at the Yale University climate change conference in September, Sen. Lindsey Graham, R-S.C., stated that he is working with Sens. Brian Schatz, D-Hawaii, and Sheldon Whitehouse, D-Rhode Island, on a carbon tax bill. We should invite our other elected officials to join the conversation.

A carbon tax would have many benefits: revenue generation, relief for struggling families, creation of jobs in clean energy and efficiency, reduced incidence of respiratory illness, and enhanced global leadership for the U.S. These benefits and some counter-arguments will be taken up in turn.

A carbon tax would be collected at the mine, well, or point of entry for coal, petroleum products, or natural gas. Collection at these points is relatively easy and imposes no additional regulations. The American Opportunity and Carbon Act proposed by Sens. Schatz and Whitehouse would set the tax at around \$45 per ton of carbon dioxide. The carbon fee proposal by Citizens Climate Lobby would begin at \$15 per ton and rise by \$10 per year for period of 20 years. Either would raise about \$2.1 trillion in the first decade. Schatz/Whitehouse would allocate much of the revenue to offset the proposed corporate tax reductions and slow the rise of the deficit. The Citizens Climate Lobby proposal would return 100 percent of the revenue to the American people on a per-capita basis, resulting in a \$280/month dividend for a family of four one decade into the tax, increasing eventually to almost \$400/month.

The primary intent of the tax is to reduce fossil fuel consumption and accelerate the ongoing movement towards clean energy. This is also a jobs proposal. Renewable energy and energy efficiency employ over two million people and are some of the fastest-growing sectors in our economy. Solar generates one in fifty of the new jobs in the economy—jobs as technicians and installers that pay well. Using the rapidly-developing energy storage technologies combined with highly efficient combined-cycle gas-fired plants and grid management, our skilled workers will build an energy system as reliable and resilient as one powered by conventional fossil fuel plants. Think about how quickly cell phone and internet-based technologies were deployed on a large scale. Clean energy could be next.

This is also a public health proposal. Numerous studies demonstrate that fine particles and air toxics from burning fossil fuels cause at least 2 million cases of respiratory illness and many millions lost work days each year. This immense cost is usually not factored into energy policy.

Certainly, the cost of energy will rise. A \$45 per ton tax will increase the cost of gasoline by 43 cents per gallon. Gasoline has been this high before, without damaging the economy. Coal emits about twice as much carbon dioxide as natural gas, and would be taxed at nearly 2 times the rate of gas on a per unit of energy basis. Renewable and nuclear energy emit no carbon dioxide and would not be taxed. At \$45 per ton, the cost of electricity would increase by 5 cents if generated by coal, by 2 cents if generated by natural gas, and zero if generated from solar or wind. As energy costs ripple through the economy, the overall cost of living would increase by only 1-1.5 percent. The real incentive would be not for individuals to consume less, but for investors who make long-term decisions based on energy cost. Electrical utilities, transportation, manufacturing, data storage, property management and development companies will be more competitive by using clean low-tax energy.

It has been argued that measures taken by the U.S. alone will not have significant impact on global climate change. The U.S is responsible for about 17 percent of the world's carbon emissions from fossil fuel use. A fully implemented carbon tax in the U.S. alone would reduce global emissions by about 9-12 percent by 2040. This is significant in itself, but more importantly, as large rapidly-developing countries struggle with growth vs. climate change, they look to the United States for technological and institutional leadership. Do we want to cede this position to China and other nations?

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