

3 Ways to Price Carbon Pollution

- 1. Cap-and-Trade**
- 2. Cap-and-Dividend**
- 3. Carbon Tax (fee-and-dividend)**

*An appraisal by
the Carbon Tax Center
(www.carbontax.org)*

Revenue Treatment

- **Cap/Trade: Earmarks / Rebates**
- **Cap/Dividends: 75% of Revenue to Households (pro rata)**
- **Fee/Dividend (revenue-neutral C Tax)**
 - **100% of Revenue to HH's (pro rata) or**
 - **“Tax Shift” (Reduce Payroll or Other Taxes) or**
 - **Combination**

Price Predictability?

- **Cap/Anything: Cloudy**
 - Market sets price
 - Fluctuates w/ economic growth rate
 - Fluctuates w/ price-elasticity
 - Fluctuates w/ speculation (vast trading market, hedging, “quants”)
- **Fee-Tax: Clear – Price is set up-front**

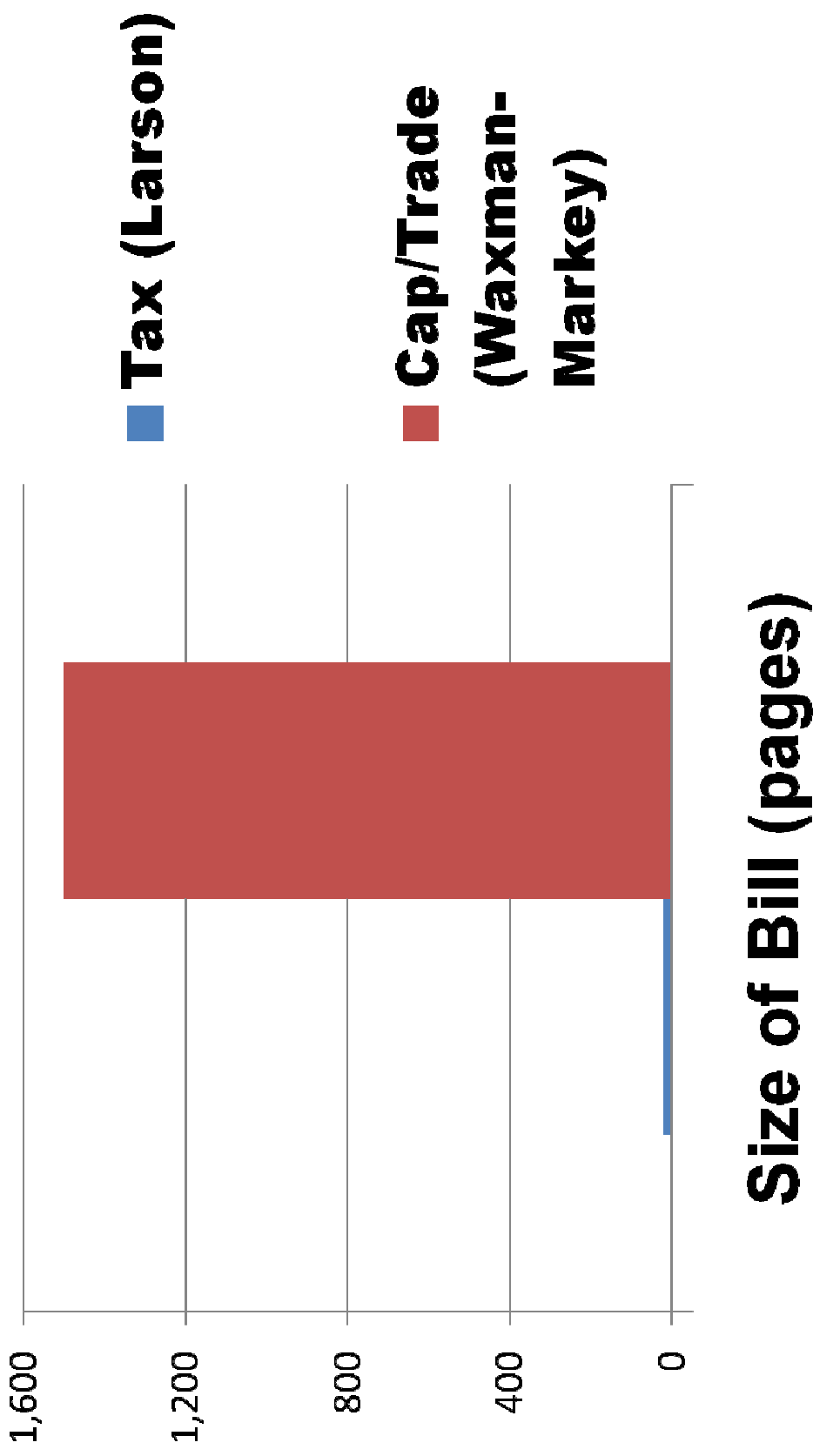
Cap = Passivity (Perversity?)

- **Cap Neutralizes Individual Initiative**
 - You take action to reduce emissions →
 - Price of emission permits drops →
 - Action elsewhere is less profitable and not taken →
 - Your action has been canceled.
- **Fee/Tax Rewards Initiative**
 - Your action doesn't reduce the price incentive.
 - It may even inspire imitation and start a snowball.

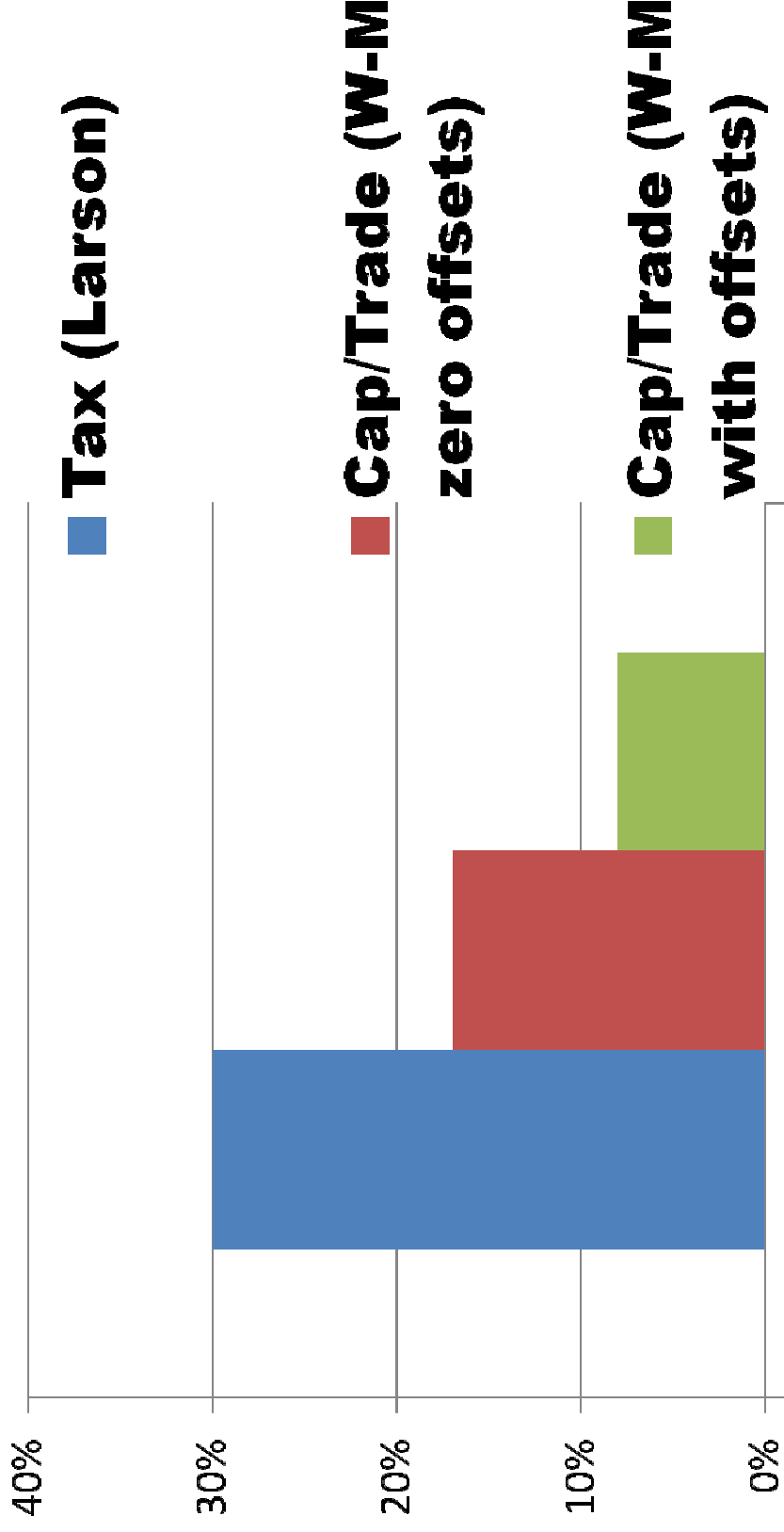
Carbon Pricing based on Fee/Dividend (C Tax)

- **Could be**
 - revenue-neutral
 - rising each year
 - fungible across borders
 - more-resistant to carve-outs
- **Would *not* require**
 - Carbon derivatives
 - PhD in Complexity

Cap vs. Tax: (1) Complexity

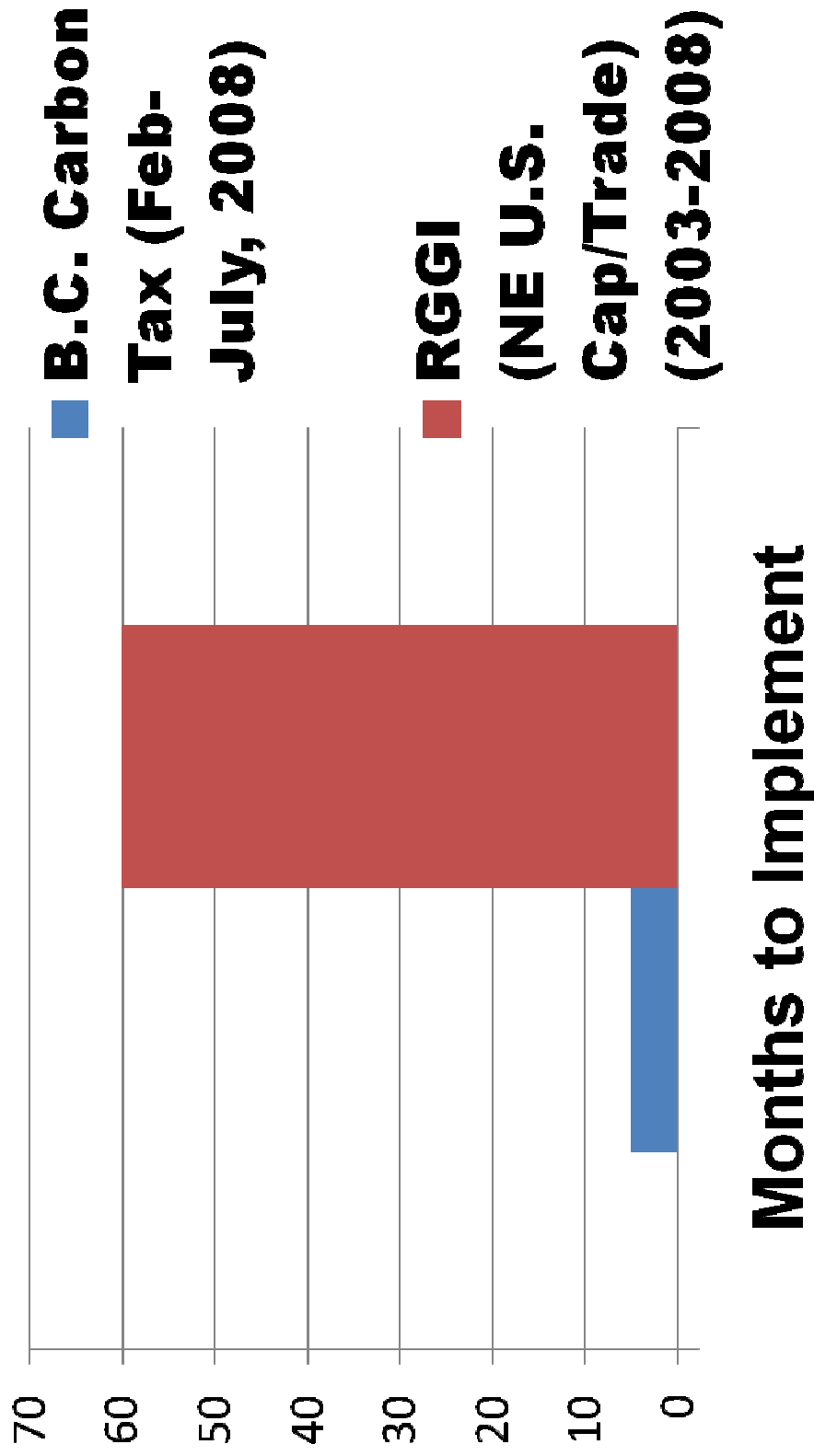


Cap vs. Tax: (2) Efficacy



2020: CO2 Reduction from 2005

Cap vs. Tax: (3) Lead Time



**A fundamental tenet of
environmentalism:**

***The costs of pollution
must be internalized
into the price of the
activities that cause it.***

Needed: A Mobilized Citizenry

- **Racial Justice** ✓✓?
- **Labor Justice** ✓✓?
- **Gender Justice** ✓✓?
- **Sexual-Orientation Justice** ✓??
- **Economic Justice** ✓??
- **Climate Justice** ???