



## **MATT MILLER'S PLAN TO... FINALLY GET SERIOUS ABOUT CLIMATE CHANGE**

*“Getting serious about climate change is a moral imperative. Yet we’re nowhere close to serious action today -- and the stakes of delay grow higher each year. My carbon fee and dividend plan will put the price on carbon we need, protect middle and lower income families from any increase in gas and electric bills, and create market incentives that accelerate investment in renewable energy sources. When you can have this kind of ‘win-win’ for the environment and for our children – and the idea has bipartisan support in the policy community – what are we waiting for? It’s time for America to lead.”*

-Matt Miller

### **The problem**

According to the recent report of the UN’s Intergovernmental Panel on Climate Change, carbon emissions have been rising faster than ever despite years of attempts to get authorities here and abroad to limit them. As the American Association for the Advancement of Science recently noted, 97% of climate scientists agree that humans are causing climate change -- a degree of consensus similar to that found among scientists on the connection between smoking and heart and lung disease. “We cannot afford to lose another decade,” said Ottmar Edenhofer, a German economist and co-chairman of the committee that wrote the UN’s latest report. “If we lose another decade, it becomes extremely costly to achieve climate stabilization.”

Analysts across the political spectrum agree the best way forward is to put an accurate price on carbon, so that the production and use of carbon-based energy reflects its true cost to society. “Putting a price on carbon” is the only way to harness the power of markets to reduce the use of carbon-based energy while also accelerating investment in cleaner alternatives. By comparison, government subsidies and public investments in renewables tinker at the edges. Yet today’s preferred approach to putting a price on carbon, while well-intended, won’t get us where we need to go. Europe introduced a cap and trade approach in 2003, yet a decade later emissions haven’t gone down. California enacted a state-wide cap and trade regime in 2006; it’s only now being implemented, and

there's little reason to think our experience will prove more effective than Europe's in terms of emissions reductions. Partly that's because bureaucratic cap and trade regimes can be gamed and lobbied by polluters, as well as by Wall Street firms seeking to make a killing from carbon permit trading.

Advocates of cap and trade say it's the next best thing to a carbon tax, and that such a tax is not politically achievable. I believe that premise is wrong. If designed and marketed properly, a carbon tax or "fee" can gain broad consensus in the years ahead, and offer the US a chance to lead the world toward a sustainable future. The alternative is unacceptable. We can't keep pretending to take action as further increases in global temperatures create dangers to human health, the natural environment, the economy and national security. We can't play at the margins when the price of inaction includes potentially catastrophic risks to human civilization.

### **The Miller Plan**

My plan, which has support among policy analysts across the political spectrum but which is almost never discussed with the broader public, is to impose a gradually rising tax or fee on carbon-based energy sources, and then to rebate all (or nearly all) of the proceeds of that fee to American households. The proposal goes by the name of "carbon fee and dividend."

This proposal improves on the traditional carbon tax alone because that tax is rightly seen as regressive. The tax would effectively raise prices on fossil-based fuels, hitting middle and lower income earners hard. Raising dirty energy prices also encounters special resistance in regions where long drives to and from work are common, and people have organized their lives around energy prices that don't reflect carbon's impact on our climate.

Carbon fee and dividend addresses these concerns while meeting our environmental and energy goals. We'd impose a new fee on all fossil fuels and other greenhouse gases at the point where they first enter the economy (starting at, say, \$15 per ton on CO<sub>2</sub> equivalent emissions - which would translate into roughly 15 cents more per gallon of gas). Each year the fee would rise by at least \$10 per ton of CO<sub>2</sub> equivalent until total emissions have been reduced to 10% of U.S. CO<sub>2</sub>-equivalent emissions in 1990 (the amount scientists say would stabilize global temperatures). This means a gallon of gas might cost \$1 or so more a decade hence, and the average driver's gas bill would rise about \$100 a month if no offsetting action were taken.

That's the fee part. Then comes the dividend. The government would send the proceeds of the fee right back to the American people via equal per-person monthly dividend checks.

Presto! Higher prices would discourage the use of fossil fuels and incentivize huge new investments in clean alternative energy sources. The payments would hold the

American people harmless while their consumption choices would come to reflect the real environmental price of carbon-based energy.

One more part of the policy is essential. In order to ensure that U.S.-made goods can remain competitive at home and abroad (and to provide an additional incentive for international adoptions of carbon fees), Carbon-Fee-Equivalent Tariffs would be imposed on goods entering the U.S. from countries without comparable carbon fees or carbon pricing. Carbon-Fee-Equivalent Rebates would be used to reduce the price of exports to such countries and to ensure that U.S. goods can remain competitive in those countries.

The sketch above (adapted from the important work of the Citizens Climate Lobby) could command broad support. Liberal environmental and energy economists agree carbon fee and dividend is the most promising approach. But it's supported by conservative economists as well – people like Gregory Mankiw of Harvard, who served as George W. Bush's top economic advisor, and Arthur Laffer, who helped fashion Ronald Reagan's original tax cut plan. Sarah Palin of all people even offers a surprising model. Palin imposed a new tax on oil companies in Alaska while governor and distributed the proceeds to every citizen in the state via checks that in some years topped several thousand dollars.

Why I am both passionate and optimistic about carbon fee and dividend? First, it's the only policy on offer that's equal to the scale of the challenge. Second, if we frame the debate properly, who can object to charging a fee for dumping pollution into the commons? Third, as a former senior advisor in the Clinton White House budget office, I know that the retirement of 76 million baby boomers will soon force us to revisit our current approach to federal finance. We're simply not set up to handle twice the number of seniors on Social Security and Medicare. When the pressure of events forces us to rethink our tax and spending arrangements generally, there will be a chance to move sound policies like carbon fee and dividend to the center of the debate – especially when it already commands consensus across left and right in the policy community.

If we devote a small portion of the fee proceeds to deficit reduction and other public investments, the beginnings of a deal that finally lets America get serious about climate change is within reach. We can lead the world to do the same.

I'm determined to place this idea atop the national agenda as your Congressman, and would work tirelessly to market its virtues in Washington and with the media, and to build consensus for its adoption.

#### Matt's challenge to conventional Republican thinking

Denying the scientific consensus on climate change is no longer defensible. There are good taxes and bad taxes – and a fee on carbon is an example of sound taxation that even conservatives can get behind.

Matt's challenge to conventional Democratic thinking

Progressives and environmentalists need to focus their energy on ideas that can actually make a big enough difference on climate change. Putting a real price on carbon in ways that protect everyday families from higher costs is the best approach available.

**What others are saying about Matt Miller's ideas**

“Matt Miller has the plan for dealing with climate change that members from both sides of the aisle should support and that an overwhelming percentage of economists already do.”

Mark Reynolds, Executive Director of Citizens Climate Lobby

“Matt Miller is the new voice that the Democratic Party urgently needs to make the case for real progress in the twenty-first century.”

Bruce Ackerman, Sterling Professor of Law and Political Science, Yale University

Paid for by Matt Miller for Congress