Legislative proposal: Carbon Fee and Dividend

Findings:

1. <u>Causation</u>: Whereas the weight of scientific evidence indicates that greenhouse gas emissions from human activities including the burning of fossil fuels and other sources are causing rising global temperatures,

2. <u>Mitigation</u> (Return to 350 ppm or below): Whereas the weight of scientific evidence also indicates that a return from the current concentration of more than 400 parts per million ("ppm") of carbon dioxide ("CO_2") in the atmosphere to 350 ppm CO_2 or less is necessary to slow or stop the rise in global temperatures,

3. <u>Endangerment</u>: Whereas further increases in global temperatures pose imminent and substantial dangers to human health, the natural environment, the economy, national security, and an unacceptable risk of catastrophic impacts to human civilization,

4. <u>Co-Benefits</u>: Whereas the measures proposed in this legislation will benefit the economy, human health, the environment, and national security, even without consideration of global temperatures, as a result of correcting market distortions, reductions in non-greenhouse-gas pollutants, reducing the outflow of dollars to oil-producing countries and improvements in the energy security of the United States,

5. <u>Benefits of Carbon Fees</u>: Whereas phased-in carbon fees on greenhouse gas emissions (1) are the most efficient, transparent, and enforceable mechanism to drive an effective and fair transition to a domestic-energy economy, (2) will stimulate investment in alternative-energy technologies, and (3) give all businesses powerful incentives to increase their energy-efficiency and reduce their carbon footprints in order to remain competitive,

6. <u>Equal Monthly Per-Person Dividends</u>: Whereas equal monthly dividends (or "rebates") from carbon fees paid to every American household can help ensure that families and individuals can afford the energy they need during the transition to a greenhouse gas-free economy and the dividends will stimulate the economy,

Therefore the following legislation is hereby enacted:

1. <u>Collection of Carbon Fees/Carbon Fee Trust Fund</u>: Upon enactment, impose a carbon fee on all fossil fuels and other greenhouse gases at the point where they first enter the economy. The fee shall be collected by the Treasury Department. The fee on that date shall be $15 per ton of CO_2 equivalent emissions and result in equal charges for each ton of CO_2 equivalent emissions potential in each type of fuel or greenhouse gas. The Department of Energy shall propose and promulgate regulations setting forth CO_2 equivalent fees for other greenhouse gases including at a minimum methane, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons (HFCs), perfluorocarbons, and nitrogen trifluoride. The Treasury shall also collect the fees imposed upon the other greenhouse gases. All fees are to be placed in the Carbon Fees Trust Fund and be rebated 100% to American households as outlined below.

2. <u>Methane Leakage</u>: Methane is a much more potent greenhouse gas than CO_2 with both direct and indirect effects contributing to warming. It is therefore important to place a fee on methane that leaks to the atmosphere. Some of this leakage will occur after the fee has been assessed on methane under

the assumption that it will be burned to yield the less potent CO_2. To ensure the integrity of the program and that markets receive accurate information with regard to the climate forcings caused by various fossil fuels, the carbon fee shall be assessed on such leaked methane at a rate commensurate with the global warming potential ("GWP") of methane including both its direct and indirect effects. Given the importance of tipping points in the climate system, the 20-year GWP of methane shall be used to assess the fee, and not the 100-year GWP. As proper accounting for such leakage is necessary for honest assessment of progress towards program goals, reasonable steps to assess the rate of methane leakage shall be implemented, and leaked methane shall be priced accordingly. The entity responsible for the leaked methane shall be responsible for paying the fee.

3. Emissions Reduction Targets: To align US emissions with the physical constraints identified by the Intergovernmental Panel on Climate Change (IPCC) to avoid irreversible climate change, the yearly increase in carbon fees including other greenhouse gases, shall be at least $10 per ton of CO_2 equivalent each year. Annually, the Department of Energy shall determine whether an increase larger than $10 per ton per year is needed to achieve program goals. Yearly price increases of at least $10 per year shall continue until total U.S. CO_2-equivalent emissions have been reduced to 10% of U.S. CO_2-equivalent emissions in 1990.

4. Equal Per-Person Monthly Dividend Payments: Equal monthly per-person dividend payments shall be made to all American households (½ payment per child under 18 years old, with a limit of 2 children per family) each month. The total value of all monthly dividend payments shall represent 100% of the total carbon fees collected per month.

5. Border Adjustments: 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 shall be charged for goods entering the U.S. from countries without comparable Carbon Fees/Carbon Pricing. Carbon-Fee-Equivalent Rebates shall 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 Department of Commerce will determine rebate amounts and exemptions if any.