



Sen. Barbara Boxer

Sens. Bernie Sanders and Barbara Boxer released today a pair of bills meant to increase the price of carbon in the United States. ([Bill summary](#); [carbon tax bill](#); [fuel subsidies bill](#))

The “Climate Protection Act of 2013” would impose a fee of \$20 per ton (carbon or methane equivalent) on coal, petroleum, natural gas and other fossil fuels. In other words, it would impose the fee on upstream producers (coal mines, oil refineries, etc.). The fee would increase 5.6% per year for 10 years and then remain in place indefinitely.

The Act attempts to equalize treatment of imports and domestic goods. It charges the fee on all imported fuels. It also imposes a “carbon equivalency fee” on all carbon-intensive goods. This fee is set at the cost that domestic producers of comparable goods incur as a result of the carbon fee or other carbon equivalency fees. This is meant to prevent cheaper, untaxed imported carbon-intensive goods from flooding the domestic market. If the importing country has a similar carbon fee, then those imports would not be “double-taxed.”

It would be interesting to see what the World Trade Organization thinks of the carbon equivalency import tariff. I am definitely not an expert, however, on international trade tariffs, so if anyone has thoughts on this, please feel free to share in the comments.

According to the Congressional Budget Office, this carbon tax would reach 85% of U.S. greenhouse gas emissions by covering 2869 fossil fuel companies. It would raise \$1.2 trillion over 10 years and reduce emissions by approximately 20% from 2005 levels by 2025.

Remember, however, that a carbon tax does not guarantee *any* level of emission reduction.

Revenues from the carbon tax would go to several areas. Three-fifths would be given back to U.S. residents in the form of monthly rebates. Weatherizing homes, ARPA-E energy research, renewables investment financing, energy efficiency and worker training are the other major projects to be funded by this bill.

Sen. Sanders also introduced a companion bill, the “Sustainable Energy Act.” This bill basically walks through the U.S. Code, eliminating a variety of fossil fuel subsidies. The bill itself is an interesting look at the breadth of fossil fuel subsidies in the U.S. I would guess that such a bill has almost no chance of passage, but parts of it could be used in a broader tax reform agreement.