Look Ma, no taxes!

In many respects, public subsidies for clean technology research and development, public investment in urban redevelopment, and elaborate cap-and-trade programs are all essentially clunky political substitutes for a carbon tax. If we priced carbon accurately to reflect its true cost to society, in terms of public and environmental health impacts (aka “externalities”), much of this public investment could instead come from private sources. Investors would fund more sustainable energy projects if these projects had more certainty of competing with carbon-based energy, and urban land values and investment would increase as high gas prices raise the cost of living in the fringes.

But mention the words “carbon” and “tax” to those in the know and you immediately get a declaration that a carbon tax will never have the votes in Congress, despite the relative superiority of the policy. Okay fine. So that’s why I like Obama’s approach to the political problem, which I first heard him describe in his 2011 State of the Union address:

> We need to get behind this [clean energy] innovation. And to help pay for it, I’m asking Congress to eliminate the billions in taxpayer dollars we currently give to oil companies. (Applause.) I don’t know if — I don’t know if you’ve noticed, but they’re doing just fine on their own. (Laughter.) So instead of subsidizing yesterday’s energy, let’s invest in tomorrow’s.

In short, raising taxes on carbon-based energy is politically unappealing. But eliminating public subsidies and tax breaks for oil and gas companies *is* appealing. And like a true carbon tax, this “dormant” version could result in more accurate pricing of dirty energy while encouraging investment in cleaner sources.

Obama is now pushing Congress to vote on ending the $4 billion in subsidies for oil and gas companies in the next few weeks. I haven’t seen any studies on what the price impacts of ending these breaks might be, but it can’t hurt the cause of accurate carbon pricing. And if the federal government can use the resulting revenue to fund clean energy innovation, all the better.

Maybe this is just an election year gambit that will go nowhere. But overall, this issue seems like one of the few long term political winners for environmentalists at

the federal level. Credit to Obama for making the case.