BILL ANALYSIS

THE CLIMATE ACTION REBATE ACT OF 2019 (S. 2284/H.R. 4051)

On July 25, 2019, Sen. Chris Coons (D, DE), Sen. Diane Feinstein (D, CA), and Rep. Jimmy Panetta (D, CA-20) introduced the Climate Action Rebate Act of 2019.

BILL SUMMARY

The Climate Action Rebate Act places a price of $15 per metric ton of carbon dioxide, starting in 2020. The price increases by $15 each year and increases by $30 if emissions targets are not met in a given year. The fee is assessed upstream on fossil fuels (crude oil, natural gas, coal, solid biomass) and fluorinate gases, adjusted for their greenhouse gas potential. There are exemptions and rebates for carbon capture utilization and sequestration (CCUS) as well as non-emissive uses such as chemicals production, and nature-based carbon sinks.

Revenue is used for a variety of purposes. The legislation directs 70% of the net revenues to low- and middle-income Americans as a monthly dividend. An equal share is provided to adults with a Social Security Number or Taxpayer Identification Number and a half share is provided for children under 19 years old. 20% of the revenue funds infrastructure, including the Highway Trust Fund, intercity passenger rail, coastal resiliency, the Abandoned Mine Reclamation Fund, hospital and health center resiliency, and much more. 5% of the revenue goes towards energy innovation and R&D, and the remaining 5% funds transition assistance for those affected by disproportionately high energy costs, workers in fossil fuel-intensive industries, and communities dependent on those industries.

The Climate Action Rebate Act does not preempt state law or undermine existing federal regulatory authority. The bill also contains provisions to encourage U.S. engagement in bilateral and multilateral negotiations for reducing global greenhouse gas emissions.

OUR PRINCIPLES

FCNL's carbon pricing principles help us evaluate carbon tax legislation. Here is how the Climate Action Rebate Act aligns with our principles:

PRINCIPLE	DOES THE BILL DO THIS?	
Enact a Price on Carbon High Enough to Drive Reduction in Greenhouse Gas (GHG) Emissions The most important outcome for a carbon tax is the reduction of GHG emissions.	This bill seeks to reduce U.S. carbon emissions by 55% by 2030, and 100% by 2050, compared to 2017 levels. This legislation exceeds our commitment to the Paris Climate Agreement and would exceed the reduction requirements under the Clean Power Plan.	✓
Prevent "Leakage" Leakage occurs when GHG producers move their operations to another country without a comparable carbon pricing system.	Fossil fuels and carbon-intensive imported goods pay an equalization fee at the border and comparable exported goods receive a refund. This prevents U.S. producers in energy-intensive, trade-exposed industries from facing a disadvantage relative to overseas competitors. This provision is also designed for WTO compliance.	✓

PRINCIPLE	DOES THE BILL DO THIS?	
Reporting and Transparency To ensure we reach emissions reductions goals, measuring, reporting, and verifying should take place at both the facility and national level.	Emissions reduction goals are clearly specified for each year through 2050, and each year the Treasury Secretary and EPA Administrator will determine if emissions reduction goals are met.	✓
Course correction If the set price is not sufficiently driving down emissions, then the price should increase.	The price increases by $30 per metric ton if the previous year's emissions goals are not met.	✓
Protect Vulnerable Communities The carbon tax should follow a "polluter pays" philosophy and ensure that the costs are not borne by vulnerable and low-income communities.	This bill focuses on the impact of carbon pricing on vulnerable and low-income communities in a variety of ways. The dividend only goes to single tax filers making under $100,000 and joint filers making under $150,000; wealthier families do not receive a divided. The legislation is designed to ensure that the dividend matches or exceeds increased costs for the bottom 60% of households by income, on average. Additionally, revenue is specifically directed towards cleaning up Superfund sites, often located close to low-income communities or communities of color. There is money dedicated to hospital and health center resiliency, Veterans Affairs medical facility resiliency, rural energy and flood prevention, clean drinking water, and community resiliency – all which can help address important environmental justice concerns. Revenue is also specifically directed to help workers and communities dependent on the fossil fuel industry with the transition to a clean energy economy. A wider list of revenue uses can be found in Sec. 9512 of the bill.	✓
Invest in An Affordable Clean Energy Future Revenue from a carbon tax should also be invested in renewable energy research, development, and efficiency.	Five percent of the revenue goes towards energy innovation and R&D, including things like energy storage, carbon capture, energy efficiency, electric grid modernization, sustainable transportation, direct air capture, and next-generation nuclear (note: FCNL does not support the construction of new nuclear power plants).	✓

WHAT ABOUT THE REGULATIONS?

The Climate Action Rebate Act does not preempt state law or undermine existing federal regulatory authority.

IN CONCLUSION

This bill provides a strong model for how revenue can be allocated to address the concerns of a number of vulnerable communities. We support the bill's encouragement of U.S. participation in international efforts to address climate change along with such ambitious emissions reduction goals. While we ultimately believe that any carbon pricing bill must have bipartisan support to become law, this bill is an exciting advancement of the dialogue on climate solutions in Congress.