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Senator Sheldon Whitehouse

Remarks at the American Enterprise Institute – The American Opportunity Carbon Fee Act of 2017

July 26, 2017

I'm delighted that the American Enterprise Institute has once again launched the American Opportunity Carbon Fee Act. I thank my partner in this effort, Senator Brian Schatz of Hawaii. Thank you to the staff of the American Enterprise Institute for your hospitality, and Dr. Aparna Mathur and the panelists for being here to discuss our proposal.

Virtually every person on the Republican side who has thought the climate change problem through to a solution has come to the same place: price carbon emissions to encourage cleaner energy and return the revenue the American people. Former Treasury Secretaries Baker, Shultz, and Paulson; former EPA Administrators Ruckelshaus, Thomas, Reilly, and Whitman; and leading economists and former presidential economic advisors Arthur Laffer, Gregory Mankiw, and Douglas Holtz-Eakin, all support a revenue-neutral, border-adjustable carbon fee.

That's what we do. Former Republican Congressman Bob Inglis described our proposal as "an olive limb, not a branch, in pairing a carbon tax with corporate tax reduction" and "an opportunity for conservatives to show how free enterprise can solve climate change."

When I first came to the Senate in 2007, the place was humming with bipartisan action on climate change. But in 2010, dead stop. The Republican Party disappeared from the field after the fossil fuel industry secured from five Justices on the Supreme Court the disgraceful *Citizens United* decision. The fossil fuel industry immediately launched a veritable Soviet May Day parade of political artillery. No special interest had that kind of political muscle before *Citizens United*.

The combination of this industry political weaponry, plus the proliferation of dark money, plus the shady science simulacrum of climate denial has been formidable.

Despite this, there's room for optimism. There are Republicans willing to work with us. They just need safe passage through the political kill zone the fossil fuel industry has created.

Over 1,000 American companies voiced their support for the Paris climate agreement, including corporate powerhouses like Walmart, Goldman Sachs, PepsiCo, and Google. If American companies were to mobilize in Congress like they did for the Paris Agreement, it'd be a game changer.

But notwithstanding all that corporate support, the big business trade associations and lobbying groups have lined up against action on climate change. The U.S. Chamber of Commerce is one of climate action's most implacable enemies, despite the good climate policies of so many of its member companies. The American Petroleum Institute represents Shell, BP, Total, and Exxon, companies that claim to support the Paris Agreement and the Climate Leadership Council's carbon fee proposal, but API opposes anything getting done.

Corporate America commands extraordinary attention in our political system. If American corporations align their political engagement on climate change with their actual position on climate change, we can get going.

So, in a spirit of hopefulness, Senator Schatz and I are reintroducing the American Opportunity Carbon Fee Act—a framework I hope both Republicans and Democrats can embrace.

The bill would establish an economy-wide carbon fee on carbon dioxide and other greenhouse gas emissions. The fee would be assessed where it is easiest to administer, minimizing the compliance burden. Other greenhouse gas emissions would be tied to their carbon dioxide equivalency. Fluorocarbons are assessed at a special rate that accounts for their high greenhouse potency. Sequestering, utilizing, or encapsulating carbon dioxide would earn you a credit. The market would begin to work.

Our bill sets the fee per ton of carbon emitted at \$49 for 2018, the central range of the social cost of carbon last estimated by the Office of Management and Budget. That fee would increase each year at a real 2 percent until emissions fall 80 percent below 2005 levels, and then follow inflation.

Border adjustments for energy-intensive goods traded with countries that have weaker or no carbon pricing will make sure we protect our industries at home. We took care to design the border adjustments in harmony with World Trade Organization rules.

This carbon fee would produce meaningful reductions in emissions. The nonpartisan Resources for the Future projects a 36 percent drop by 2025, compared to the benchmark year of 2005, exceeding the U.S. Paris Agreement commitment significantly.

In addition to the environmental value, of course, a carbon fee also generates revenue: in this case, nearly \$2.1 trillion in revenue over 10 years. Our plan would return every dime to the American people. Here is how.

First, the bill lowers the top corporate income tax rate from 35 percent to 29 percent. This would cut American corporate taxes by almost \$600 billion over the first decade.

Second, it provides workers with a \$550 refundable tax credit—\$1,100 for a couple—against payroll taxes. The tax credits, which would grow with inflation, would return almost \$900 billion to American households over the first 10 years.

Third, it would provide a matching benefit to Social Security recipients, veteran's program beneficiaries, and other retirees. These benefits would total nearly \$500 billion over 10 years.

Finally, the bill would establish a block grant program, delivering the remaining funds to states: over \$100 billion to help workers in coal country, or provide coastal protection for seaside states; at the discretion of the state to meet local needs and concerns.

I understand the suffering in coal country. Coal country will continue to decline as natural gas drives coal out of the energy market. There is no mechanism now to remedy that inevitability.

Remember Huey Long's old slogan: "Every man a king"? With a carbon fee, we could make every miner a king—a solid pension, retirement at any time, full health benefits for life, a cash bonus based on years worked, a voucher for a new vehicle, a college plan for their kids. Those things become doable with carbon fee revenues.

It is not the miners' fault that the coal industry has collapsed. They worked hard. They did dangerous work. It is a rigorous occupation to be a coal miner, and miners are entitled to respect. Give them their dignity. Make them kings. With a small fraction of the revenue from a carbon fee, we could assure every single coal miner a lifetime of comfort and financial stability.

Senator Schatz and I extend an open hand. Find Senator Schatz and me a Republican to negotiate with. Then let's talk about the economics. Let's talk about the revenue. And because I know it's a part of the Baker/Schultz proposal, let's talk about where we can get fact-based, scientifically rigorous analytics of which regulations might become unnecessary or duplicative of a carbon fee's emission reductions.

Let's restart the bipartisan conversation.

Let me close with an appeal to our patriotic sense. America holds herself out as an exemplary nation, a "city on a hill." The tactics of climate denial and political menace that the fossil fuel industry deploys have degraded us. There is a remorseless functioning of the laws of physics, of chemistry, of biology. Time will tell, but everyone from our Secretary of Defense to your home state's state university is warning that climate change is real and urgent. The longer our democracy lies incapacitated, the worse the outcome will be; and the worse the outcome, the greater the harm to a country that holds its example up to the world. John McCain returned to the Senate yesterday and called our country "the strong, inspiring, inspirational beacon of liberty and defender of dignity of all human beings and their right to freedom and equal justice." Some example, if we get this wrong because of what one industry did to our policies.

Thank you.