

AMERICAN OPPORTUNITY CARBON FEE ACT

Combatting Climate Change and Boosting American Competitiveness

“A tax on carbon emissions will unleash a wave of innovation to develop technologies, lower the costs of clean energy and create jobs as we and other nations develop new energy products and infrastructure.”

—Hank Paulson, U.S. Treasury Secretary under George W. Bush

Carbon pollution from human activity is changing our climate, harming our economy, health, and environment. The United States is the second-largest source of carbon pollution in the world and has emitted more carbon dioxide overall than any other nation. Scientists warn that we must act now to reduce carbon pollution to avoid its worst consequences. The American Opportunity Carbon Fee Act, introduced by Senators Sheldon Whitehouse (D-RI) and Brian Schatz (D-HI) in the Senate and by Representatives Earl Blumenauer (D-OR) and David Cicilline (D-RI) in the House, would reduce greenhouse gas emissions and provide substantial revenue to boost the American economy and help consumers.

Curbing Carbon Pollution

- According to Resources for the Future, “the total level of greenhouse gas emission reductions in 2025 can reasonably be expected to be considerably greater than the U.S. 2016 Paris Agreement pledge to reduce greenhouse gas emissions by 26-28 percent of 2005 levels.” The legislation is projected to:
 - Reduce energy-related CO₂ emissions by 36 percent by 2025, compared to 2005 levels; and
 - Deliver more than twice the utility-sector CO₂ reductions than the Clean Power Plan (65 percent vs. 32 percent) in 2030.
- The fee would start at \$49/metric ton of emissions in 2018, the mid-range of the Obama Administration’s 2016 estimates of the social cost of carbon, which measures the long-term damage done by carbon pollution. The fee would increase annually by a real 2 percent, ensuring emitters would be held responsible for the harm they are offloading onto the American people.
- When emissions fall below the target level—80 percent below 2005 emissions—the annual adjustment would fall to inflation.
- The fee would be assessed on coal at the mine mouth, oil at the refinery, and natural gas when processed, and on all fossil fuels upon import. It would also be assessed on large emitters of non-fossil-fuel-based greenhouse gases and on producers and importers of industrial gases with high global warming potential.
- The fee on fossil fuels would be adjusted to account for associated emissions of methane from venting, carbon dioxide from flaring, and other greenhouse gas emissions that escape throughout the fossil fuel supply chains.
- The Treasury Department would assess and collect the fee, consulting the Environmental Protection Agency, Energy Information Agency, and other agencies on the best methods and data.

Investing in American Competitiveness and Protecting Workers

- Trade-vulnerable, energy-intensive industries would be protected through border adjustments. The Treasury Secretary would collect tariffs on goods imported from countries that do not price carbon and issue refunds on American exports to those nations.
- The revenue generated—an estimated \$2.1 trillion in the first decade—would be used to:
 - Reduce the top marginal corporate income tax rate from 35 percent to 29 percent;
 - Offer workers an annual inflation-adjusted \$550 refundable tax credit to offset payroll taxes paid (\$1,100 for married couples filing jointly);
 - Provide Social Security and veterans’ program beneficiaries and other retired and disabled Americans with an inflation-adjusted annual benefit beginning at \$550; and
 - Deliver at least \$10 billion annually in grants to states to help low-income and rural households and workers transitioning to new industries.