CARBON PRICING PROPOSALS IN THE 115TH CONGRESS

C2ES CENTER FOR CLIMATE AND ENERGY SOLUTIONS

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Market-based policies that put a price on greenhouse gases can reduce emissions cost-effectively while driving clean energy innovation. This factsheet compares seven carbon pricing proposals introduced in the 115th Congress (2017–2018).

Carbon pricing offers a cost-effective way to reduce greenhouse gas emissions. Ten states are already pricing carbon, and a number of states are considering similar action. This fact sheet summarizes and compares seven carbon pricing proposals introduced in the 115th Congress (2017–2018), highlighting similarities and differences. Five of these proposals would establish a carbon tax (or "carbon fee") and two would establish a cap-and-dividend program (a cap-and-trade program that rebates program revenues to consumers). The seven proposals are:

- The Tax Pollution, Not Profits Act (H.R.2014) introduced by Rep. John Delaney (D-Md.) on April 6, 2017;
- America Wins Act (H.R.4209) introduced by Rep. John Larson (D-Conn.) on Nov. 1, 2017;
- The Healthy Climate and Family Security Act of 2018 (S.2352 and H.R. 4889) introduced by Sen. Chris Van Hollen (D-Md.) and Rep. Don Beyer (D-Va.) on Jan. 29, 2018;
- The American Opportunity Carbon Fee Act of 2018 (S.2368 and H.R. 4926) reintroduced by Sens. Sheldon Whitehouse (D-R.I.) and Brian Schatz (D-Hawaii) and Reps. Earl Blumenauer (D-Ore.) and David Cicilline (D-R.I.) on Feb. 5, 2018; and
- The Modernizing America with Rebuilding to Kickstart the Economy of the Twenty-first Century with a Historic Infrastructure-Centered Expansion Act (H.R.6463) introduced by Reps. Carlos Curbelo (R-Fla.) and Brian Fitzpatrick (R-Pa.) on July 23, 2018.

While each proposal would establish a price on carbon, they differ in terms of the emissions covered. For example, the Larson proposal would apply a tax to the carbon dioxide content of fossil fuels at a point upstream or midstream (i.e., coal mines, refineries, natural gas processing plants, or importers) while the Whitehouse-Schatz proposal would apply a tax to all greenhouse gases covered by the U.S. Environmental Protection Agency (EPA) Greenhouse Gas Reporting Rule (not just carbon dioxide). The Curbelo proposal would apply a tax to all greenhouse gas emissions from fossil fuels and certain industrial products and processes.

Other differences include the starting level of the tax, how quickly it increases over time, and how the revenue is used. The Whitehouse-Schatz proposal, for example, would set a $50 per metric ton fee that rises at 2 percent over inflation annually until emissions are 80 percent below 2005 levels. Revenues would be used to provide an annual inflation-adjusted refundable tax credit to consumers and grants to states to compensate low-income households for impacts on energy costs. The Curbelo proposal would establish a $24 per metric ton tax that rises 2 percent above inflation per year. The proposal would also allow the tax to increase $2 per metric ton if cumulative emissions are greater than those specified in the proposal. Seventy percent of the revenues from the Curbelo proposal would go to funding the Federal Highway Trust Fund, with smaller amounts going to states for low-income households, to infrastructure projects addressing coastal flooding, to research and development (R&D) projects, and to assist displaced energy workers.

The proposals also differ in the treatment of greenhouse gas regulations and state programs. The Van Hollen-Beyer proposal explicitly does not preempt greenhouse gas regulations under the Clean Air Act, while the Curbelo proposal would place a moratorium on most stationary source greenhouse gas regulations under the Clean Air Act through 2033 (which can be lifted in 2024 and 2028 if emission reduction levels are not met). The Van Hollen-Beyer proposal also explicitly would not preempt state programs, while the Curbelo proposal would offer a declining annual credit to entities covered by both the federal tax and a state greenhouse gas program (e.g., California's cap-and-trade progarm, or the Regional Greenhouse Gas Initiative).

The following table highlights key characteristics of each proposal.

POLICY FEATURES	TAX POLLUTION, NOT PROFITS ACT	AMERICA WINS ACT	HEALTHY CLIMATE AND FAMILY SECURITY ACT	AMERICAN OPPORTUNITY CARBON FEE ACT	MARKET CHOICE ACT
Sponsor(s)	Rep. John Delaney (D-Md.)	Rep. John Larson (D-Conn.)	Sen. Chris Van Hollen (D-Md.) and Rep. Don Beyer (D-Va.)	Sens. Sheldon Whitehouse (D-R.I.) and Brian Schatz (D-Hawaii) and Reps. Earl Blumenauer (D-Ore.) and David Cicilline (D-R.I.)	Reps. Carlos Curbelo (R-Fla) and Brian Fitzpatrick (R-Pa.)
Carbon Pricing Mechanism	Carbon Tax	Carbon Tax	Cap and Trade	Carbon Tax	Carbon Tax
Start Date	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2019	Jan. 1, 2019	Jan. 1, 2020
Regulating Authority	U.S. Treasury Department	U.S. Treasury Department	U.S. Treasury Department in consultation with EPA	U.S. Treasury Department in consultation with EPA	U.S. Treasury Department in consultation with EPA
Substances Covered	GHG emissions (CO_2, CH_4, N_2O, SF_6, HFC, PFC) from fossil fuel products, and from entities covered under EPA's GHG Reporting Program.	CO_2 content of a taxable carbon substance: coal, petroleum and any petroleum products, and natural gas. CO_2 content will be determined by the Treasury Secretary in consultation with the Secretary of Energy.	CO_2 emissions from fossil fuel combustion (crude oil, natural gas, coal) or any other combustible fuel sold in the United States.	CO_2 equivalent emissions from fossil fuel (coal, petroleum, or natural gas) products, fluorinated gases, and GHGs covered under EPA's GHG Reporting Program.	CO_2 equivalent emissions from fossil-fuel combustion and certain industrial products and processes.

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Point of Coverage (i.e., Covered Entity)	Covered entity responsible for reporting emissions under the EPA GHG Reporting Program and emit at least 25,000 tons of CO_2 equivalent in the previous calendar year. The Treasury Secretary, in consultation with the EPA Administrator, could modify the point of coverage if it would be less burdensome and would not result in an increase in emissions.	Covered entity means manufacturer, producer, or importer of a taxable carbon substance.	Covered entity is the first seller of oil, coal, or natural gas into the U.S. market. Participation in the auction of carbon permits is limited to covered entities.	Covered entities are facilities required to report emissions under the EPA GHG Reporting Program and emit at least 25,000 tons of CO_2 equivalent in the previous calendar year.	Covered fossil fuel entities include: coal mine mouth or coal preparation and processing plant, refineries, and natural gas processing plant or point of sale, and point at which imported fossil fuels enter the United States. Other covered entities include owner/operator of certain industrial facilities (initial list of 19) or owner/operator of a facility that makes or imports certain products (initial list of 8). The EPA can revise the list of source categories and producers.

<table>
<tr><th>POLICY FEATURES</th><th>TAX POLLUTION, NOT PROFITS ACT</th><th>AMERICA WINS ACT</th><th>HEALTHY CLIMATE AND FAMILY SECURITY ACT</th><th>AMERICAN OPPORTUNITY CARBON FEE ACT</th><th>MARKET CHOICE ACT</th></tr>
<tr><td>Emission Targets and Timetables</td><td>Not specified.</td><td>Not specified.</td><td>Quantity of permits based on meeting annual emission targets:
<table>
<tr><th>Year</th><th>Emissions Target (% below 2005 levels)</th></tr>
<tr><td>2020</td><td>20%</td></tr>
<tr><td>2025</td><td>30%</td></tr>
<tr><td>2030</td><td>40%</td></tr>
<tr><td>2035</td><td>50%</td></tr>
<tr><td>2040</td><td>60%</td></tr>
<tr><td>2045</td><td>70%</td></tr>
<tr><td>2050</td><td>80%</td></tr>
</table>
The Treasury Secretary is required: In 2048 to report to Congress on recommendations for continuing the program after 2050; and if the emission targets should be revised to avoid catastrophic climate change.</td><td>Not specified.</td><td>Starting in 2022, carbon tax could be raised an additional $2 metric ton biennially if actual cumulative emissions (starting in 2020) from covered sources are greater than the specified cumulative emissions:
<table>
<tr><th>Year</th><th>Cumulative Emissions (MMT CO_2e)</th></tr>
<tr><td>2020</td><td>5,177</td></tr>
<tr><td>2021</td><td>10,353</td></tr>
<tr><td>2022</td><td>15,472</td></tr>
<tr><td>2023</td><td>20,532</td></tr>
<tr><td>2024</td><td>25,592</td></tr>
<tr><td>2025</td><td>30,594</td></tr>
<tr><td>2026</td><td>35,596</td></tr>
<tr><td>2027</td><td>40,540</td></tr>
<tr><td>2028</td><td>45,484</td></tr>
<tr><td>2029</td><td>50,370</td></tr>
<tr><td>2030</td><td>55,255</td></tr>
</table></td></tr>
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Carbon Price and Escalation Rate	Starting in 2018 at $30 per metric ton of CO_2 equivalent. Increasing annually 4% above CPI inflation. Rounded to the next whole dollar.	Starting in 2019 at $49 per metric ton of CO_2 content. Increasing annually 2% above CPI inflation.	The carbon permit price is determined by auction. The quantity of permits auctioned is equal to the amount necessary to meet an annual emissions target. The Treasury Secretary is required to hold at least four auctions a year, limit how many permits a single participant can purchase at a single auction, and set a price floor. A carbon permit can be banked for later years. If the carbon permit price increases more than 50% above the two-year average price, the Secretary can auction as many permits as needed to stabilize the price. Unsold permits in reserve must be auctioned first before additional permits can be auctioned. The auctioning of additional permits will reduce the aggregate number of permits made available in later years.	Starting in 2019 at $50 per metric ton of CO_2 equivalent. Increasing annually at CPI inflation, and an additional 2% in years where emissions are greater than 20% of 2005 levels. Rounded to the next whole dollar.	Starting in 2020 at $24 per metric ton of CO_2 equivalent. Increasing annually 2% above CPI inflation. Starting in 2022, carbon tax can be adjusted by an additional $2 per metric ton biennially if cumulative emissions are greater than the schedule (see table above).

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Tax credits or Refunds	A refund can be issued in the amount of the tax for: the utilization or capture and secure storage of CO_2 from fossil fuels and manufactured goods that encapsulate CO_2.	A refund or credit (without interest) can be issued in the amount of the tax for a taxable carbon substance for the capture and sequester of CO_2, or use as feedstock that has no associated emission.	Treasury Secretary can issue carbon permits in the amounts equivalent to the metric tons of CO_2 that is captured and sequestered from combustion of covered fuels in the United States.	A refund can be issued in the amount of the carbon fee for: the utilization or capture and secure storage of CO_2 from a covered fossil fuel, manufactured good that encapsulates CO_2, and export of fossil fuel product. Refunds for capture and storage or utilization are discounted by the amount of anticipated leakage.	Treasury Secretary can issue credit or refund in the amounts equivalent to the metric tons of CO_2 that is captured and sequestered from combustion of covered fuels in the United States.

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Border Adjustment	An equivalency fee may be imposed on any imported good. An equivalency refund of the carbon tax may be issued on exported good. The Treasury Secretary should consult with the EPA Administrator, the U.S. Trade Representative, and Secretary of Energy in establishing equivalency fees and refunds.	An equivalency fee imposed on imported carbon-intensive goods. Reimbursement of equivalency fee paid on exports. This fee expires when: an international climate agreement with equivalent measures comes into effect, when exporting countries adopt equivalent measures, or when it is deemed no longer necessary.	A carbon equivalency fee imposed on imported carbon-intensive goods. Reimbursement for permit equivalency fee (without interest) paid on exports. This fee would expire when exporting countries adopt equivalent measures, or when it is no longer deemed necessary.	An equivalency fee imposed on imported energy-intensive manufactured goods. Refund on carbon fee on exported energy-intensive manufactured goods. The equivalency fee and refund will be reduced for countries that have policies that reduce GHG emissions. The Treasury Secretary must consult with the EPA Administrator and the Secretary of Energy in establishing equivalency fees and refunds.	A border tax adjustment is placed on imported covered goods and a rebate of the tax on exported covered goods. Covered goods are those from eligible industrial sectors (has a six-digital NAICS classification code and has a GHG intensity of at least 5%).

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Use of Revenue	Revenues from the program will be used to: Provide a monthly energy refund for low- and middle-income households; For 10 years after enactment of the Act, up to 2% of the revenues may be used to provide assistance to displaced coal workers (e.g., worker retraining, early retirement, and health benefits); and Reduce the corporate tax rate from 35% to 28%.	Revenues from the program will be used to: Invest $1 trillion for infrastructure investments, from 2019 to 2028; Provide $5 billion for transition assistance to workers and communities that are heavily reliant on carbon-intensive industries, from 2019 to 2028; Use 12.5% of the revenue to provide a monthly energy refund to low-income households to offset higher energy costs; and Use remaining revenues for an individual tax rebate. For those receiving an energy refund, the refund amount will be deducted from the tax credit.	Revenue from the program will be used to provide a monthly dividend to individuals with a valid Social Security number (other than a nonresident alien) who are legally residing in the United States. Any individual may opt out of receiving the trust fund dividend payment. The dividend would be excluded in determining gross income for tax purposes.	Revenues from the program will be used to: Provide an annual inflation-adjusted refundable tax credit (starting at $800 in 2019) to offset payroll taxes (rounded to the next lowest multiple of $10); Provide Social Security, veterans, and other beneficiaries with an annual inflation-adjusted benefit starting in 2020; and Provides at least $10 billion annually in grants to states to help low-income households and rural households address increased energy costs, transition assistance to workers and businesses in energy-intensive and fossil-fuel industries.	Revenues from the program will be used to: 70% for the Federal Highway Trust Fund; 10% to states in the form of grants for low-income households; 5% directed toward chronical coastal flooding mitigation and adaptation infrastructure projects; 3% for displaced worker assistance; 2.5% for the Airport and Airway Trust Fund; and Remaining will be used for R&D (e.g., carbon capture, battery storage).

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Treatment of Federal GHG Regulations	Not specified.	Not specified.	This bill does not preempt GHG regulations under the Clean Air Act.	Not specified.	This bill will establish a rolling mortarium for most stationary source GHG regulations under the Clean Air Act. Moratorium starts upon enactment of this Act. Moratorium is lifted in emission reduction levels are not met in 2024 or 2028. The moratorium ends in 2033.
Treatment of Existing State Programs	Not specified.	Not specified.	Does not preempt state and regional GHG programs.	Not specified.	Starting in 2020, a covered entity will receive a credit for payment(s) on GHG emissions made under state programs. The amount of the credit will start at 100% of the amount paid under the state program, and then decline 20% annually. No credits will be provided beyond the fifth year.

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Other Relevant Items	N/A	N/A	N/A	Starting in 2021, directs Treasury and EPA to establish a program to collect data on methane leakage from fossil fuel sources, and directs Treasury Secretary to increase the fee assessed on covered fossil fuel products (i.e., coal, petroleum products, and natural gas).	Would establish a bipartisan National Climate Commission to prepare a report to Congress, starting in 2026 and every 6 years therefore, with analysis and recommendations for reducing greenhouse gas emissions.

CENTER FOR CLIMATE
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The Center for Climate and Energy Solutions (C2ES) is an independent, nonpartisan, nonprofit organization working to forge practical solutions to climate change. We advance strong policy and action to reduce greenhouse gas emissions, promote clean energy, and strengthen resilience to climate impacts.

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