Citizens' Climate Lobby

How Carbon Fee and Dividend Works

1. Place a steadily rising fee on fossil fuels

To account for the cost of burning fossil fuels, we propose an initial fee of $15/ton on the CO_2 equivalent emissions of fossil fuels, escalating $10/ton/year, imposed upstream at the mine, well or port of entry.

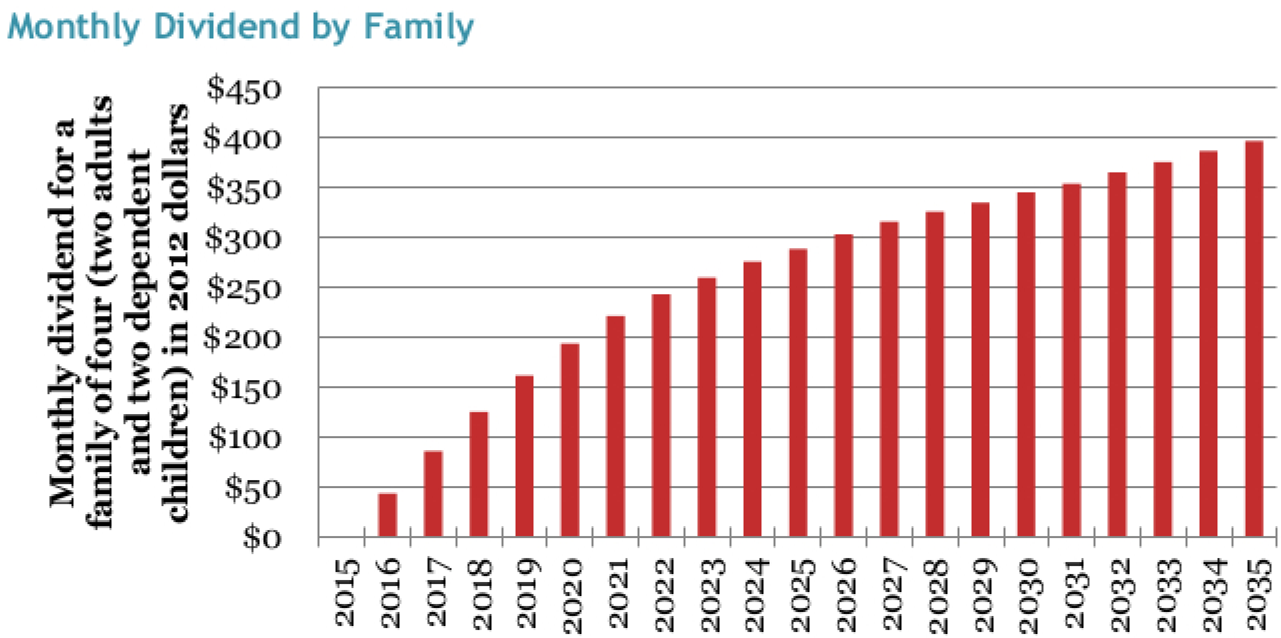
Accounting for the true cost of fossil fuel emissions not only creates a level-playing field for all sources of energy, but also informs consumers of the true cost comparison of various fuels when making purchase decisions.

This process chart shows the basics of calculating a carbon fee that's passed down the energy supply chain from the point of extraction to the retail and end-use consumers. Chemistry determines the carbon dioxide or equivalent emissions of a fuel, which becomes part of its price within a transaction to discourage its use and garner revenues for a rebate (dividend).

2. Give 100% of the fees minus administrative costs back to households each month.

100% of the net fees from the carbon fee are held in a Carbon Fees Trust fund and returned directly to households as a monthly dividend.

About two-thirds of households will break even or receive more than they would pay in higher prices. This feature will inject billions into the economy, protect family budgets, free households to make independent choices about their energy usage, spur innovation and build aggregate demand for low-carbon products at the consumer level.



Monthly projected share of the monthly carbon fee revenue across American households.

3. Use a border adjustment to stop business relocation.

Import fees on products imported from countries without a carbon fee, along with rebates to US industries exporting to those countries, will discourage businesses from relocating where they can emit more CO_2 and motivate other countries to adopt similar carbon pricing policies. Building upon existing tax and trade systems will avoid complex new institutional arrangements.

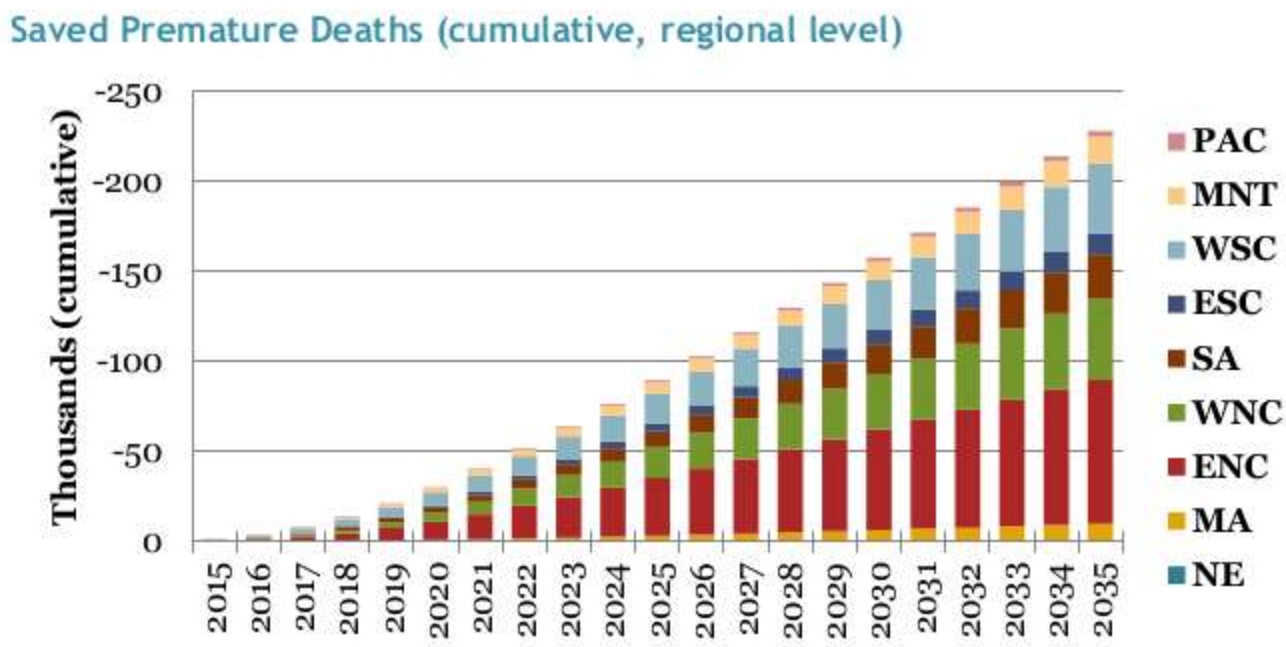
Firms seeking to escape higher energy costs will be discouraged from relocating to non-compliant nations (“leakage”), as their products will be subject to import fees.

It’s good for the economy AND even better for people.

A study from REMI shows that carbon fee-and-dividend will reduce CO2 emissions 52% below 1990 levels in 20 years and that recycling the revenue creates an economic stimulus that adds 2.8 million jobs to the economy.

A structured rising price on greenhouse gas emissions will focus business planning on optimizing investment priorities to thrive in a carbon-constrained world.

Additionally, Carbon Fee and Dividend is projected to prevent over 230,000 premature deaths over 20 years from improved air quality.



Each color in this chart represents one of the nine US regions. PAC=Pacific, MNT=Mountain, WSC=West South Central, ESC=East South Central, SA=South Atlantic, WNC=West North Central, ENC=East North Central, MA=Mid Atlantic, NE=New England.

Carbon Fee and Dividend does not increase the size of government, require new bureaucracies or directly increase government revenues. The dividend increases real disposable income, protects personal spending decisions and will recruit widespread, sustained engagement.

Finally, Carbon Fee and Dividend is elegant in its simplicity, transparent in its accessibility to public scrutiny and clear in its signals and benefits.