Inside Energy

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RE: Who Knew? Delaware has a carbon tax that may rise by $500 million!
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A national tax on carbon dioxide emissions has been discussed for decades as a way to reduce emissions, but never passed because American voters don't support it. On Jan. 7, 2015 Hillary Clinton campaign chairman John Podesta wrote: ***"We have done extensive polling on a carbon tax. It all sucks."***

It might surprise you to learn you have been paying a hidden carbon tax for the last decade in Delaware, and nine other northeast states. These states joined the Regional Greenhouse Gas Initiative (RGGI). Electric generators are forced to buy allowances in auctions to emit carbon dioxide. The allowances provide a cost advantage to fuels with lower emissions, such as natural gas. The cost is passed onto electric customers, and the allowance revenue is supposed to be spent on energy efficiency projects to further reduce emissions.

Does it work? No! Our peer reviewed analysis, "A Review of the Regional Greenhouse Gas Initiative", published in the winter 2018 Cato Journal showed how the program raises electric prices chasing energy intensive businesses and electric generation out-of-state, thus reducing jobs, average incomes, and tax revenue. Emissions have come down the same in RGGI states, and comparison non-RGGI states because of lower natural gas prices from the drilling revolution, and from national regulation of coal-fired power plants. Governor Carney joined the US Climate Alliance, a Trump "resistance" group, with a goal of reducing carbon dioxide emissions 28% by 2025. That goal was met in 2017, and RGGI had nothing to do with it!

The economic impacts of RGGI hurt everyone, and especially the poor, and have contributed to Delaware Median Household Income dropping $12,000 a year, according to US Census Current Population Survey. RGGI revenue has been poorly used with 20% going to administrative overhead, and 50% sitting unspent. The money that has been spent hasn't even used the states technical manual on Evaluating, Measuring & Verifying efficiency projects, so we have little proof the money was spent effectively.

Now RGGI wants to reduce the number of allowances available, add allowance price control mechanisms, and extend the program from 2020 to 2030, under the guise of improving the environment. In reality the plan will most likely shift more emissions out-of-state as jobs and electric generation leave Delaware for more tax friendly states, and global emissions will be unchanged. So, why does Delaware's Energy & Climate Division want to do this to us? Follow the money. Using emission goals and allowance price forecasts from RGGI itself, tax revenue will rise from $10 million in 2017 to between $30 and $60 million a year by 2030, and the agency can spend the money pretty much anyway it wants without legislative input. In fact, the proposed changes could add half a billion dollars to electric bills!

The proposed changes to the RGGI program are unstoppable at this point. However, there is an election coming up and voters can influence candidates to commit to either repealing RGGI, taking direct control of how RGGI revenue is spent, or using a New Hampshire precedent to rebate 75% of the allowance revenue to electric customers.