MAINE Wire

A carbon tax would hurt Maine's most vulnerable

Jacob Posik

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Lawmakers on the Energy, Utilities and Technology committee on Thursday, Feb. 28 will hold a public hearing on LD 434, sponsored by Rep. Deane Rykerson, titled "An Act to Price Carbon Pollution in Maine." The bill would tax the sale and distribution of carbon-emitting fuel products at a rate of $5 per metric ton starting in 2020 and increase by $5 annually until reaching $40 per metric ton in fiscal year 2027-28.

The tax would be imposed on "each form and grade of butane, coal, clear diesel fuel, gasoline, fuel oil, kerosene, natural gas and propane" but would not apply to dyed diesel fuel or jet fuel.

While imposed on distributors, the tax would undoubtedly be passed onto energy consumers, devastating those on fixed incomes and disproportionately affecting low-income Mainers.

This is partly because poor and elderly populations spend a larger portion of their incomes on basic necessities, like transportation and utilities, that would grow more expensive under this plan.

Low-income and older households also tend to rely more on oil or natural gas-burning home heating systems and less fuel-efficient vehicles. A study from Stanford University found that households in the lowest income group pay, as a percent of income, more than twice as much as households in the highest 10 percent of the income distribution pay.

In addition, the ostensible purpose of a carbon tax is to mitigate the damaging effects of climate change, but the reality is that enacting a carbon tax in Maine would almost certainly have no measurable impact on global climate patterns whatsoever.

Maine's population accounts for about 0.01 percent of the world population and 0.03 percent of total energy production, more than half of which already comes from renewable sources. In other words, Maine's energy sector could eliminate all fossil fuels tomorrow with virtually no impact on long-term global temperature projections. In essence, this tax would impose real costs on Mainers while delivering no tangible benefits.

A large body of evidence suggests that climate model predictions have historically been too pessimistic and continue to exaggerate the economic costs of climate change. Droughts and wildfires may grow more common in some regions, but northern states like Maine are likely to benefit from lower heating bills and higher crop yields.

The complexities of estimating the aggregate economic impact of climate change are so great that calculating the social cost of carbon (SCC), on which this legislation is based, is highly subjective and prone to error. Economists at the Cato Institute have found that "the estimated SCC can be quite large, small, or even negative…depending on defensible adjustments of the inputs to the analysis."

Given such divergent results, adopting a costly carbon tax based on one particular estimate is not good policy, especially since this tax would disproportionately burden Maine's vulnerable poor and elderly populations.

And while the revenues from the carbon tax would be used to reduce rates for utility customers, LD 434 provides virtually no information about how this process would work, beyond saying that it must be "equitable" and of "maximum benefit to the economy of the State."

Would low-income ratepayers enjoy deeper rate reductions? How would rates be adjusted across residential, commercial, and industrial customers? What would be the impact on different parts of the state? The bill's vague language leaves the door open for broad regulatory interpretation.

Enacting this legislation may also create a slippery slope of gradually increasing tax rates and mounting burdens on Maine residents. The tax is supposed to plateau at $40 per metric ton of carbon, but other jurisdictions are either considering or have already adopted far higher rates.

Policymakers in Washington, D.C. have proposed $100 rates, while environmental groups in Canada have estimated that a rate of $300 per ton would be needed by 2050 for the country to meet its emissions targets. Canadian Prime Minister Justin Trudeau in 2018 imposed a new carbon tax policy on four Canadian provinces that reaches C$50 per metric ton by 2022.

It should be noted, however, that no other US state has adopted a carbon tax, though special interests are pushing similar proposals all across the country. Maine should not be the first to do so. Our most vulnerable populations simply cannot afford it.