

# StarTribune

## Climate-change fight: the free market component

By Brian Nowak – June 27<sup>th</sup>, 2013

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A bold climate action plan was launched by President Obama on Tuesday. This broad plan with more than 50 initiatives ranges from stringent pollution controls to climate adaptation strategies. Environmental groups applauded and Congress ineffectively stood by as the train to stop climate change left the station. The plan relies heavily on increased Environmental Protection Agency regulation to cut carbon emissions. It recognizes that Americans are already paying for the externalize costs of carbon pollution, citing that weather-related disasters in 2012 cost more than \$110 billion collectively.

Hours after the president's speech, there were speeches on the Senate floor logging support into the congressional record — admirable, but not effective. Others in Congress, like Sen. Joe Manchin, took up the cause of the fossil-fuel industry, stating that “it's clear now that the president [has] declared a war on coal” — equally ineffective. In our current political environment, many believe that the legion of fossil-fueled lawyers will tie up new EPA regulations until the president is replaced by a fossil-fuel candidate.

As public understanding of the true cost of climate change increases, smart representatives should want to get on the action side of the issue, if for no other reason than to get re-elected. They see bills being brought to the floor every month that result from climate change.

For example, U.S. Rep. Rick Nolan of Minnesota is working on a bill that funds programs to fix shipping problems in our lock-and-dam systems on the Mississippi River and Great Lakes. Currently, ships must load at 80 percent capacity, or they scrape bottom as they approach Sault Ste. Marie. The lowering of water levels on the Great Lakes is caused by evaporation due to warmer temperatures and ice loss. It will cost hundreds of millions of dollars to fix this. It is both an environmental and business issue, a bipartisan cause.

The president's plan is missing a free-market solution. This gap offers a perfect opportunity for Congress to act. How? The solution is quite simple: a program called “fee and dividend.”

It works like this: A fee (tax) would be placed on all fossil fuels and would be increased yearly until the cost of carbon pollution were paid for and renewable energy replaced fossil fuel. A \$15-a-ton tax would start to pay for the CO<sub>2</sub> pollution mess.

At that rate, gasoline would rise about 15 cents a gallon and the U.S. Treasury would be generating \$81 billion a year in revenues. Citizens Climate Lobby proposes that every dollar of this money be returned as a dividend to individuals. With the \$15-a-ton tax, each individual would receive about \$270; a family of four would get \$1,080. This would offset the impact of increased energy prices to the consumer. This solution is revenue-neutral: no tax increase to individuals. There would be no increase in the size of government, because the infrastructure to collect and distribute funds are already in place. This type of program would send clear,

predictable price signals to business, encouraging energy efficiency and clean-energy solutions. It would have an immediate impact on the rate of greenhouse gas emissions.

Experts from organizations like the Cato Institute and Rand Corporation have endorsed carbon fee-and-dividend programs. So have leading conservative economists like Arthur Laffer, George Shultz and Greg Mankiw. Surprisingly, six of the major oil companies have endorsed a carbon tax.

Taxing carbon lets the market pick winners and losers. Tar-sands oil is a great example: Since it's 15 to 20 times dirtier than sweet crude oil, the tax on it would be much greater. Currently it costs the Saudis about \$6 a barrel to deliver their oil and the Canadians as much as \$68 to pipe their oil. Tar-sands oil sits on the edge of economic viability. With a carbon tax in place, the Keystone pipeline would likely not be an issue.

Congress may have missed the train, but it shouldn't miss the boat in bringing a real climate solution to the table.