

## Research & Commentary: After Covid-19 Pandemic, Even Less Justification For Worthless, Regressive Carbon-Dioxide Tax In Washington

Tim Benson

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Carbon-Dioxide Taxes Do Little To Reduce Emissions, Act As Regressive Tax

Legislation in the Washington Senate would set up a carbon-dioxide tax of \$25 per-metric-ton on use and sale of most fossil fuels in the Evergreen State beginning in 2022.

The program established by the bill, indexed to increase with inflation, would raise taxes by at least \$1.6 billion by 2023, and another \$4.2 billion between 2023 and 2025.

Washington voters have signaled their opposition to a carbon-dioxide tax multiple times in the past half decade, most recently with their thorough rejection of Initiative 1631 (I-1631) in 2018.

Carbon-dioxide taxes are inherently regressive and disproportionately harm low-income families. The Congressional Budget Office (CBO) found a \$28 per ton carbon dioxide tax would result in energy costs being 250 percent higher for the poorest one-fifth of households than the richest one-fifth of households.

CBO reports the reason for cost discrepancy is “a carbon tax would increase the prices of fossil fuels in direct proportion to their carbon content. Higher fuel prices, in turn, would raise production costs and ultimately drive up prices for goods and services throughout the economy ... Low-income households spend a larger share of their income on goods and services whose prices would increase the most, such as electricity and transportation.”

The Washington Policy Center estimated the carbon-dioxide tax that would have been established under I-1631 would increase average household costs \$234 to \$305 in the first year alone, and \$672 to \$877 per year after 2030. “Taxpayers would feel the tax primarily in three ways. First, the largest impact would be at the gas pump,” WPC states, noting prices at the pump would increase by 14 cents a gallon during the first year and increase by two cents a gallon each following year. “Second,” the report continues, “a smaller portion, on average, would be associated with the cost of natural gas for home heating. Finally, since Washington’s electricity is mostly carbon-free, there would be a smaller impact felt in most utility bills.”

A 2013 study by the National Association of Manufacturers estimates a \$20-per-ton carbon-dioxide tax in Washington, would result in a 15 percent increase in household electricity rates. Additionally, the price of natural gas would increase by more than 40 percent in the first year.

The study also estimates a carbon-dioxide tax would push gasoline prices up by 20 cents a gallon in the first year alone.

One other substantial problem with the carbon-dioxide tax is that it would produce an insignificant environmental benefit, as Oren Cass, senior fellow at the Manhattan Institute, noted in *National Affairs*. “The effectiveness of a carbon tax as a matter of environmental policy [depends] not only on how it would directly alter the trajectory of [local] emissions but also on its ability to affect global emissions by driving globally applicable technological innovation or by influencing the behavior of foreign governments,” wrote Cass. “On each of these dimensions, the carbon tax fails.” Considering Washington’s carbon-dioxide emissions represent just 1.2 percent of the U.S. total, and a statistically insignificant 0.02 percent of the global total, a carbon-dioxide tax is completely unjustifiable.

Evergreen State lawmakers should not enact any kind of carbon-dioxide tax, as it would have a minimal effect on carbon-dioxide emissions and would cause considerable economic harm to all Washingtonians, especially low-income Washington families. In the middle of the COVID-19 pandemic, when economic situations for many people and businesses are especially precarious, purposefully raising taxes is extremely foolish and hard-hearted.

The following documents provide more information on carbon-dioxide taxes and fossil fuels.

### **The Deeply Flawed Conservative Case for a Carbon Tax**

<https://www.heartland.org/publications-resources/publications/the-deeply-flawed-conservative-case-for-a-carbon-tax>

In this paper published by the American Enterprise Institute, Benjamin Zycher says the “conservative” Climate Leadership Council’s (CLC) much-hyped carbon-tax proposal is “naïve” and “virtually all of the ... assertions in support of its proposal are incorrect or implausible.” The CLC’s plan is “poor conceptually and deeply unserious,” wrote Zycher.

### **The Case Against a U.S. Carbon Tax**

<https://www.heartland.org/publications-resources/publications/the-case-against-a-us-carbon-tax>

In this paper from the Cato Institute, Robert P. Murphy, Patrick J. Michaels, and Paul C. Knappenberger examine carbon-dioxide tax programs in place in Australia and British Columbia and consider whether similar programs would be successful in the United States. They conclude, “In theory and in practice, economic analysis shows that the case for a U.S. carbon tax is weaker than its most vocal supporters have led the public to believe.”

### **Economic Outcomes of a U.S. Carbon Tax**

<https://www.heartland.org/publications-resources/publications/economic-outcomes-of-a-us-carbon-tax>

This report from the National Association of Manufacturers evaluates the potential impacts carbon taxes whose revenues would be devoted to a combination of debt and tax rate reduction would have on the U.S. economy. The results consider the varied economic effects of fossil-fuel cost increases caused by carbon taxes, as well as the positive economic effects of the assumption that carbon tax revenues would be used to reduce government debt and federal taxes.

### **The Carbon Tax Shell Game**

<https://www.heartland.org/publications-resources/publications/the-carbon-tax-shell-game>

Oren Cass of the Manhattan Institute argues the carbon tax is a shell game. The range of designs,

prices, rationales, and claimed benefits varies so widely that assessing the validity of most proposals is nearly impossible to accomplish. In this article for *National Affairs*, Cass says the effect of carbon-dioxide taxes on emissions has proven to be insubstantial, a fact he says is ignored by the tax's proponents when promoting its purported benefits.

### **The U.S. Leads the World in Clean Air: The Case for Environmental Optimism**

<https://files.texaspolicy.com/uploads/2018/11/27165514/2018-11-RR-US-Leads-the-World-in-Clean-Air-ACEE-White.pdf>

This paper from the Texas Public Policy Foundation examines how the United States achieved robust economic growth while dramatically reducing emissions of air pollutants. The paper states that these achievements should be celebrated as a public policy success story, but instead the prevailing narrative among political and environmental leaders is one of environmental decline that can only be reversed with a more stringent regulatory approach. Instead, the paper urges for the data to be considered and applied to the narrative.

### **Climate Change Reconsidered II: Fossil Fuels – Summary for Policymakers**

<https://www.heartland.org/publications-resources/publications/climate-change-reconsidered-ii-fossil-fuels---summary-for-policymakers>

In this fifth volume of the *Climate Change Reconsidered* series, 117 scientists, economists, and other experts assess the costs and benefits of the use of fossil fuels by reviewing scientific and economic literature on organic chemistry, climate science, public health, economic history, human security, and theoretical studies based on integrated assessment models (IAMs) and cost-benefit analysis (CBA).

### **The Social Benefits of Fossil Fuels**

<https://www.heartland.org/publications-resources/publications/the-social-benefits-of-fossil-fuels>

This Heartland *Policy Brief* by Joseph Bast and Peter Ferrara documents the many benefits from the historic and still ongoing use of fossil fuels. Fossil fuels are lifting billions of people out of poverty, reducing all the negative effects of poverty on human health, and vastly improving human well-being and safety by powering labor-saving and life-protecting technologies, such as air conditioning, modern medicine, and cars and trucks. They are dramatically increasing the quantity of food humans produce and improving the reliability of the food supply, directly benefiting human health. Further, fossil fuel emissions are possibly contributing to a “Greening of the Earth,” benefiting all the plants and wildlife on the planet.

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