



Giant Carbon Dioxide Tax Bill A Horrible Idea For the Empire State

Tax Would Begin At \$55 Per Ton In 2022, Increase By 5 Percent Annually Through 2025, Between 2 Percent And 10 Percent Annually From 2026 To 2051

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November 23rd, 2021

Matching proposals under consideration in the New York State Legislature would establish a massive carbon-dioxide tax on fossil fuels, in an attempt to “advance the goals” of 2019’s dangerously and recklessly ambitious Climate Leadership and Community Protection Act.

The purpose of a carbon tax is to decrease carbon-dioxide emissions by levying a tax based on the amount of emissions produced. The New York proposals would levy this tax on any “carbon-based fuel,” which the bill defines as coal, a petroleum product, natural gas, methane, municipal solid waste (or any other feedstocks used for waste-to-energy conversions), or biomass that may be a source of greenhouse gas emissions through combustion and fugitive emissions.”

The tax would begin at \$55 per ton in 2022 and increase by 5 percent annually through 2025, and anywhere between 2 percent and 10 percent annually from 2026 through 2051. Opponents of the bill argue that it would also raise the state’s gasoline tax by 127 percent, to 98.12 cents per gallon, making New York’s gas tax 57 percent higher than the next highest state.

The bill also contains a “low-income and small business and household energy rebate fund” that will consist “of such amounts as may be appropriated or credited to such fund and thirty percent of the total amount of fees received under [the tax.]” The rebate will be available “a maximum of sixty percent of the households in New York state.” Strikingly, households will qualify “regardless of citizenship,” meaning the utility bills of illegal immigrants will be subsidized by New York families.

These rebates are necessary because carbon-dioxide taxes are inherently regressive and disproportionately harm low-income families. The Congressional Budget Office (CBO) found just a \$28 per ton carbon-dioxide tax, a little over half the size of the carbon-dioxide tax proposed in

New York, 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.”

In July 2012, Australia established a national carbon-dioxide tax set at \$23 (Australian dollars) per ton and repealed it just two years later because it produced the highest quarterly increase in household electricity prices in the country’s history.

One other substantial problem with the carbon-dioxide tax is that it would produce an insignificant environmental benefit. “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 Oren Cass of the Manhattan Institute in 2015. “On each of these dimensions, the carbon tax fails.”

At 14.87 cents per kilowatt hour, retail electricity prices in New York are already 40 percent higher than the national average and are the seventh-highest in the continental United States. According to the Tax Foundation, New York already has the third-worst business tax climate in the country, behind only California and neighboring New Jersey. Therefore, legislators should refrain from taking any action that would increase these costs or make taxes higher. A carbon-dioxide tax would make everything more expensive for working families in New York, drive up costs for businesses, and have an insignificant effect on global carbon dioxide emissions. There is no justification for this tax in the Empire State.

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

Legislating Energy Poverty: A Case Study of How California’s and New York’s Climate Change Policies Are Increasing Energy Costs and Hurting the Economy

https://www.pacificresearch.org/wp-content/uploads/2018/12/LegislatingEnergy_F_Web.pdf

This analysis from Wayne Winegarden of the Pacific Research Institute shows the big government approach to fighting climate change taken by California and New York hits working class and minority communities the hardest. The paper reviews the impact of global warming policies adopted in California and New York, such as unrealistic renewable energy goals, strict low carbon fuel standards, and costly subsidies for buying higher-priced electric cars and installing solar panels. The report’s authors found that collectively these expensive and burdensome policies are dramatically increasing the energy burdens of their respective state residents.

Green Scheme: The Climate Action Council’s Climate Transition Cost Analysis

https://www.empirecenter.org/wp-content/uploads/2021/11/Green-Schemes_FINAL-1.pdf

This report from the Empire Center for Public Policy argues an ambitious 2019 climate change

law adopted by the New York State Legislature could result in a net cost to New Yorkers of \$205-\$300 billion, despite an analysis projecting a net benefit of \$80-\$150 billion.

The Case Against a Carbon Tax

<https://www.instituteforenergyresearch.org/wp-content/uploads/2019/04/Carbon-Tax-Policy-BriefFinalText-1.pdf>

This paper from Jordan MacGillis of the Institute for Energy Research argues carbon dioxide taxes are unjustified and unwise. He contends these taxes have demonstrated themselves to be costly and incapable of constraining governments from implementing and maintaining other burdensome regulations and taxes. He also notes the United States is better off without one.

The Carbon Tax: Analysis of Six Potential Scenarios

https://www.instituteforenergyresearch.org/wp-content/uploads/2018/10/The-Carbon-Tax-Analysis-of-Six-Potential-Scenarios_Final.pdf

This study commissioned by the Institute for Energy Research and conducted by Capital Alpha Partners uses standard scoring conventions to evaluate and model the economic impacts of carbon taxes set at a variety of dollar figures, with different phase-in durations, and with an array of revenue-recycling strategies. It finds a carbon dioxide tax will not be pro-growth, is not an efficient revenue raiser for tax reform, depresses GDP and introduces with long-term fiscal challenges playing particular stress on the states, and is inconsistent with meeting the long-term Paris Agreement emissions reduction goals.

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 dioxide 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 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 dioxide 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 dioxide tax revenues would be used to reduce government debt and federal taxes.

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. The paper urges for the data to be considered and applied to the narrative.

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.

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 and cost-benefit analysis.