

## Carbon Tax Recap, October 2021

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This month we continue tracking the status of the carbon tax in the spending bill matriculating on Capitol Hill, a topic we covered in [July's recap](#) and again in [September's](#).

On October 28, a [1,684-page draft text](#) of the Build Back Better Act emerged from the camp of the House Democrats. At this time, it is not clear that this text will be voted on. Further, the Senate apparently does not have an agreed-upon text.

BLUF: There is no carbon tax in this draft.

According to [The Hill](#), Senator Joe Manchin “poured cold water on the renewed chatter of including a carbon tax. Asked about a carbon tax, which would effectively place a fee on carbon dioxide and methane emissions, Manchin said the idea was not under discussion. ‘We’re not — the carbon tax is not on the board at all right now,’ Manchin told reporters.”

Nor is there a carbon border adjustment in this draft, [an idea I challenged at The American Spectator](#) in July. According to [E&E News](#), “Meanwhile, yet another climate proposal — the carbon border adjustment — is all but dead, according to Sen. Sheldon Whitehouse (D-R.I.), a key advocate for the policy.”

While the likelihood of a carbon tax sneaking its way into law is vanishing, a related concept is indeed on paper. The available text includes what it calls a waste emissions charge for methane. This would not be a direct tax on natural gas use, but rather on methane waste from the production process.

The waste emissions charge, to be imposed via the Environmental Protection Agency, would apply to methane emissions that exceed a waste emissions threshold set by this bill.

The charge would target onshore and offshore petroleum and natural gas production, onshore natural gas processing, onshore natural gas compression, underground natural gas storage, liquefied natural gas storage, liquefied natural gas import and export equipment, onshore petroleum and natural gas gathering and boosting, and onshore natural gas pipelines.

According to the text, the charge will kick in if a threshold of “0.20 percent of the natural gas sent to sale from such facility” or “10 metric tons of methane per million barrels of oil sent to sale from such facility, if such facility sent no natural gas to sale” is surpassed.

The waste emissions charge would start at \$900 per ton above the threshold in 2023, rising to \$1,200 per ton in 2024 and \$1,500 in 2025 and thereafter.

Among other objections that could be raised to the waste emissions charge is that the nature of the market already institutes incentives against methane emissions from the production process in many cases. To the extent that it’s feasible, firms want to capture escaping methane. In fact, I wrote about this phenomenon for the [Cato Institute’s Human Progress](#) site just this week.

Here’s a snippet:

*CNX Resources is a traditional energy outfit that is deploying advanced tech to combat emissions. Based in Western Pennsylvania, CNX is among the great success stories of the shale revolution that turned the economic tide for its region and, arguably, the entire U.S. last decade. What sets CNX apart from other natural gas companies is its recognition of the economic and environmental win-win availed by capturing methane leaks at aging or abandoned coal mining sites.*

*According to the company’s 2020 corporate responsibility report, it abated more than 300,000 metric tons of methane emissions by deploying proprietary technologies at coal seams and coal mines, or the equivalent of 7.7 million tonnes of carbon dioxide, last year. That is the same benefit as removing nearly 1.7 million cars from U.S. roads. Those 7.7 million tonnes of CO<sub>2</sub>e would have added directly to global greenhouse gas concentrations without providing any human benefit. Instead, CNX has turned them into affordable fuel for electricity and heating. As a result, the company has the rare distinction in its arena of claiming carbon-negative status on its Scope 1 and Scope 2 activities.*

*Edge is another company turning waste into profit, unlocking latent gas potential with new technology it calls the Cryobox. The Cryobox is a boxcar-sized device that connects to a wellhead, captures escaping gas, and liquefies it on the spot for transport in LNG form.*

*According to Bloomberg, ‘Edge’s Cryobox can produce as much as 15 metric tons (10,000 gallons) a day of LNG. The rig can be moved between wells and can be up and running within an hour of arriving on site.’ The technology economizes a resource that is otherwise written-off as waste in the oil and gas industry and released through a process called flaring. Global flaring emits around 275 million tonnes of CO<sub>2</sub>e annually. Like Prometheus and CNX, Edge has identified an opportunity to provide both economic and environmental value.*

*While it would be easy to celebrate these firms as feel-good stories, it’s important to remember that they contribute to reductions in global greenhouse gas concentrations by responding to market incentives and the allure of profit. Taking an entrepreneurial view of resource production, they convert otherwise worthless waste molecules into useful energy. In so doing, they decimate the tiresome charge that capitalism is the nemesis of environmental progress. In*

*reality, the market disciplines companies to reduce their resource appetites and spurs creative firms like Prometheus, CNX, and Edge to provide novel solutions.*

Touching on many of the same themes, the American Enterprise Institute's Benjamin Zycher delivered a strong takedown of the methane charge for RealClear Energy earlier this month as well.

“Energy producers have powerful incentives to capture methane that otherwise would escape into the atmosphere,” Zycher writes, “they are in the business of selling energy rather than losing it—and they have powerful incentives as well to avoid consuming valuable resources in ways that fail to yield commensurate benefits. The interests of the private sector and environmental protection are far more consistent than commonly asserted: the justifications offered for the proposed methane tax make little sense, and the tax would impose substantial costs on the economy while yielding no environmental benefits. It should be rejected.”

But as I mentioned, we're not at the language finish line yet and this methane charge is not guaranteed for inclusion in the bill that gets a vote. E&E reports that “Democrats are also still haggling over the methane fee opposed by Senate Energy and Natural Resources Chair Joe Manchin (D-W.Va.) and moderate Texas House Democrats,” so there appears to be a reasonable chance that the methane waste emissions charge, too, will be sent to the scrap heap.