Testimony for EPA, July 29, 2014

I’m Peter Fiekowsky, a volunteer with Citizens Climate Lobby. I’m a physicist and owner of a software company and live and work in Los Altos, California, the heart of Silicon Valley.

My message is that EPA should include a carbon tax as one method that the states can use for compliance with the Carbon Rule. Specifically, EPA should modify the definition of "emissions standard" clearly to allow and encourage state taxes on GHG emissions from power plants and other stationary sources.

Other speakers will discuss more details about a carbon tax, how it can be implemented, and the benefits that it provides. I will speak about why the time has finally come to enable and encourage states to implement a carbon tax.

From the first discussions about global warming in the 1970’s, economists, scientists and politicians have unanimously said that the best solution is a carbon tax. The EPA regulations we are discussing here are generally considered to be clever and convoluted ways methods to put a price on carbon.

If the best method is a carbon tax, then why is that not included as an option in the EPA Clean Power Plan? I can’t speak for the EPA, but I can report on conversations I have had with IPCC scientists and editorial writers. Although they agree that a carbon tax is the most efficient and easy to implement solution, they assume that Washington will never do the right thing, so they recommend the best alternative. In my state, California, that alternative is cap and trade which has seldom been able to put a significant price on carbon.

Why do we say that now is the time to allow and encourage states to implement carbon taxes?

1. Over the last year there have been studies showing that a revenue neutral carbon tax benefits state and national economies. Results from the British Columbia carbon tax corroborate those studies, showing the expected decrease in emissions, and the expected increase in jobs.

2. Most Californians now prefer a carbon tax to cap and trade—58% to 51% according to the PPIC July 2014 survey.

3. Major Oil companies such as ExxonMobil and Shell now say on their websites that they want a price on carbon, and that when we price carbon, they prefer a revenue neutral carbon tax.

4. Comments in opposition to a revenue neutral carbon tax almost unanimously cite as their reason that it will never get passed or implemented.
One of the major benefits of state carbon taxes is that they will encourage Congress to implement a good national carbon tax due to the demands of interstate corporations who will want uniform and simpler rules for doing business. Citizens Climate Lobby’s National carbon tax study, done by REMI, shows that a sensible tax which increases $10/ton per year will produce 2.2 million new jobs after just 10 years, increase the GDP by 1%, save 13,000 lives per year from reduced pollution, and decrease total emissions by 33%.

A revenue neutral carbon tax is the only proposed emissions solution which provides significant economic benefits plus emissions reductions beyond EPA requirements.

A second major benefit of state or national carbon taxes is their predictability. This is the reason that companies like ExxonMobil and Shell want a revenue neutral carbon tax. Prices that are predictable into the future are major advantages for businesses. Predictability allows businesses and their investors to confidently invest in a new future. The pricing uncertainty from cap and trade discourages long term investment in clean energy because the return on investment is unpredictable. The unpredictability causes executives to continually delay innovative investment decisions, hoping the future will someday be more certain. You can see this pattern in the actions of oil and utility companies over the last 20 years.

Now that we have data from British Columbia, and the four recent REMI studies, the media is promoting this solution which is good for the economy and good for the environment. In California the LA Times published 2 editorial pieces on July 14, and 21 promoting it. The San Jose Mercury news published an op-ed on July 1 promoting it. Nationally there have been over 20 op-eds and 100 letters to the editor promoting a revenue neutral carbon tax—Each month this year.

EPA should include a carbon tax as one method that the states can use for compliance with the Carbon Rule. Specifically, EPA should modify the definition of "emissions standard" to clearly allow and encourage state taxes on GHG emissions. The time has come to recommend the optimal solution that even energy companies want.