



Carbon Tax in the United States: The Changing Economics and Politics

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Key messages >>>

- The move to have congestion pricing in New York follows much after other international cities like London, Stockholm and Singapore.
- The three proposals related to carbon taxation in the last few years—which are Obama’s Clean Power Plan, Baker-Shultz Carbon Dividends plan and the Green New Deal handle the issue differently—with Baker-Shultz Carbon Dividends plan proposing lax regulations by the competent authorities compared to the Obama’s Clean Power Plan. And the Green New Deal offers an innovative way of dealing with the issue of carbon taxation and climate change.
- The three models have only been proposed but have not been in operation so it is difficult to assess their real impact.
- Disagreements among the major powers in the United Nations on the issue of carbon taxation has resulted in inconclusive actions regarding the same.

Congestion Pricing in New York

New York, one of the biggest financial centers of the world, early this year decided to approve the plan to impose [congestion pricing](#), making it the first city in US to do so. Though welcome, the development seems late, when other cities like [London, Stockholm and Singapore](#) have already implemented the same since years. The charges will raise the cost of entering the busiest areas like the [Manhattan](#), to well over \$10. There are still many critical questions to be addressed regarding the plan, for instance, the [amount charged and](#)

[exemptions](#), nonetheless, the plan indirectly puts a price on the carbon footprints of individuals.

While the development has come to be in the wake of other logistical reasons such as outdated infrastructure, despite that it works as a form of carbon tax as it is based on the principle of [safeguarding ‘the commons’](#); paying for the damage individuals incur on them. And the gains made out of such taxes can be invested back in the replenishment of the commons.



Carbon tax politics in United States

Carbon tax has always been a controversial issue in the US politics, especially for being the biggest carbon emitter on the planet. One of the most ambitious carbon tax plan that has made noise during the Trump presidency is from the former Republican Secretaries of State James Baker and George Shultz. The Baker-Shultz Carbon Dividends plan, starting with a [carbon tax of \\$40 per ton](#), aims to gradually raise the tax to [2 to 5 per cent annually to around \\$65 per ton by 2030](#). And the revenue that will accrue from these charges will be received by American citizens as “carbon dividends”. The plan, if accepted, is expected to not only fulfill US’s commitment under the [Paris Agreement](#), but also exceed it. On the other hand, Obama’s Clean Power Plan, which preceded the above, with a relatively greater accountability from polluters, faced tough opposition to the point of non-implementation. In such a situation of a deadlock on carbon tax, a new proposal, that is, the Green New Deal, inspired by the spirit of Roosevelt’s New Deal during the Great Depression, brings diversity in available options and approach for addressing the question of answerability from pollutants and responsibility towards environment.

Proposal 1: Oil giants and the Baker-Shultz Carbon Dividends plan

Surprisingly, this plan has the backing of the oil lobby and the American corporates like [AT&T, P&G, Johnson & Johnson, GM, and PepsiCo](#). Exxon Mobil, as one of the world’s largest fossil fuel companies, has [pledged \\$1 million](#) to promote the plan. Interestingly, at the same time, ExxonMobil has also been accused of [lack of transparency and unaccountability](#) for their role in

aggravating climate crisis, water shortages and deforestation. To top that, the company has employed corrupt methods to [negate climate science](#) since many decades, as per the #ExxonKnew investigations. With such a track record, it comes across as suspicious of these companies’ to have good intentions on carbon tax. Most probable reason for oil lobby’s support for this plan is the fact that it would [ensure regulatory certainty](#) to energy companies by putting limitations on the authority of the Environmental Protection Agency’s on carbon emissions. Which is why, the environmentalists detest the idea as they believe it will allow the big fossil fuel industry to escape any [lawsuit in future](#) holding them accountable for environmental damage. Another reason is evident in the proposal itself, which mentions, “[Robust carbon taxes would also make possible an end to federal and state tort liability for emitters.](#)”, thus again allowing immunity to the oil companies from any kind of [lawsuit on climate liability](#).

Proposal 2: Obama’s Clean Power Plan

Prior to the Baker-Shultz Carbon Dividends plan, former President Obama’s controversial [Clean Power Plan](#), had for the first time set limits on the carbon emissions from the coal consuming power plants in US. As per the plan, the states were expected to meet emission reduction targets particularly from the power plants to [32 percent below 2005 levels by 2030](#). The plan was mainly opposed by the chemical industry in US represented by the [American Chemistry Council](#) which raised concern over the chances of declining growth in the chemical sector because of the of the increased cost after the implementation of the plan. Moreover, the plan was never implemented due to the temporary stay on it by the US Supreme Court in 2016 as a result of the lawsuits slapped by [industry groups and several state attorneys general](#). And what has added to the scenario is the complete repeal of the Clean Power Plan with [Affordable Clean Energy](#) rule by the Trump administration. This rule aims to lower down the [power sector emissions](#) by 11 million tons by 2030, or between 0.7 percent and 1.5 percent. The Environmental Protection Agency in US has stated that apart from

the above targets, the long-term goals is nonetheless to push [emissions down 35 percent](#), but mostly independent of the Affordable Clean Energy rule.

Proposal 3: Green New Deal

Green New Deal, introduced by Rep. Alexandria Ocasio-Cortez and Sen. Edward Markey, is new school in its approach to addressing climate change, in particular the issue of carbon tax. In general, the [democrats have lately shown disinterest](#) in a carbon-tax scheme. As per a poll conducted by [The Atlantic](#), most Americans have hinted towards their preference for an investment and regulation policy for climate change problems, as proposed by the Green New Deal, instead of going for a revenue-neutral carbon tax. Further, the proposal mentions of [10-year mobilization of investment](#) in order to cut the greenhouse gas emission to zero as fast as possible. However, on the downside, the proposal talks of [no deadline or energy technologies](#) to address climate change.

Implementation and larger questions for the global community

None of the above three models of addressing the issue of carbon tax has yet been fully operational, so it is hard to assess the impact of any of these in concrete terms. Nonetheless, they hint towards the critical pressure groups being major influencers on the debate and the lack of easy resolution to the problem. If US, as the biggest carbon emitter, is able to implement some form of carbon tax domestically, it will provide impetus to the international political community to be able to come up with an international form of carbon tax; again with a consideration for Common but Differentiated Responsibilities and Respective Capabilities. Internationally, it is mostly the European countries that have managed to raise the issue of carbon tax consistently, though with its share of usual failures. And the lack of consensus on the issue in the United Nations has continuously marred a conclusive action on carbon taxation.

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Protect our Planet (POP) Movement believes that the impacts of climate change will not affect a single country but the planet, in its entirety. POP believes that the power of the youth of the world will unite and to address this challenge. POP believes that the time to act is now and that knowledge is the true currency of changing the future.



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