When it comes to carbon pricing, climate policy is fiscal policy

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PARTS PER MILLION

320 340 360 380 400


YEAR

THE CARTOON INTRODUCTION TO CLIMATE CHANGE

BY GRADY KLEIN AND YORAM BAUMAN, PH.D.

THE WORLD'S FIRST AND ONLY STAND-UP ECONOMIST
Starting in 1958, Keeling and his colleagues made daily measurements of CO2 at the Mauna Loa Observatory in Hawaii...
Keeling's measurements continued for *years*, and then *decades*, and after his retirement his son stepped into his shoes.

C'mon son, let's go to the *beach*!

Sorry, dad, not now.
Carbon pricing: policy and politics

• “Carbon pricing” is an umbrella term that covers carbon taxes as well as cap-and-trade systems. They work to reduce emissions by making polluting expensive.

• For lots of folks, what matters (even more than climate!) is who pays the money and who gets the money.
Climate policy is fiscal policy

• We are currently in a “let a thousand flowers bloom” period in terms of how to implement carbon pricing.
• I-1631 (WA 2018): 0% revenue-neutral $15 carbon tax: fund clean energy, EJ, etc. (“Green New Deal”).
• HB403 (UT 2018): 90% revenue-neutral $10 carbon tax: fund air pollution clean-up, cut sales tax on food, etc.
## Hawai’i carbon emissions (MMTCO$_2$)

<table>
<thead>
<tr>
<th>Source</th>
<th>Petroleum</th>
<th>Coal</th>
<th>Nat. gas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline and diesel</td>
<td>5.0</td>
<td>-</td>
<td>-</td>
<td>5.0</td>
</tr>
<tr>
<td>Electricity</td>
<td>5.1</td>
<td>1.5</td>
<td>-</td>
<td>6.6</td>
</tr>
<tr>
<td>Other (RCI)</td>
<td>1.5</td>
<td>0.1</td>
<td>-</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total of these 3</strong></td>
<td><strong>11.6</strong></td>
<td><strong>1.6</strong></td>
<td>-</td>
<td><strong>13.2</strong></td>
</tr>
<tr>
<td>Aviation fuels</td>
<td>5.2</td>
<td>-</td>
<td>-</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>16.8</strong></td>
<td><strong>1.6</strong></td>
<td>-</td>
<td><strong>18.4</strong></td>
</tr>
</tbody>
</table>

USDOT: Taxes on jet fuel must go to airport purposes. $10/ton CO$_2$ is about 10¢/gallon, 1¢ per kWh coal power.
Hawai‘i carbon tax: Money out options

• Can go to mitigation, adaptation, and/or offsetting climate policy impacts on households and businesses.
• Per-capita dividend of $100: $150m.
• Make state EITC match refundable ($30m for existing 20% match, or $55m for a refundable 30% match).
• Eliminate GET on food and medicine: $120m - $220m.
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