

# **A Sustainable Environment: Our Obligation to Protect God's Gift**

by  
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## **Is A Carbon Tax Necessary?**

As you may have been reading, Congress has been working on a climate change bill for over a year. In June 2009, the House passed the Waxman-Markey bill which imposes very weak requirements for the reduction of carbon dioxide emissions. For the past year, the Senate has been working on its version of the bill, but there does not appear to be sufficient votes to get it passed. So two months ago, President Obama lifted the ban on offshore gas and oil drilling in order to appease the Republican senators and get their vote for the new Senate bill. But now the president has upset the Democratic senators, so the bill is still in limbo. But I expect the bill will eventually pass and we will be confronted with restrictions on green house gas (GHG) emissions and the possible introduction of a carbon tax. In any event, the recent oil spill in the Caribbean Gulf may just serve as a wakeup call that we need to find alternatives to fossil fuels.

But is imposing a carbon tax the right way to go? Even if the bill requires a carbon tax, who will decide to what extent it will be imposed. It may be relatively simple to add a tax to energy bills such as electricity, gas heating, or gasoline for your automobile. But what about energy required to manufacture a car? Will the auto companies add a carbon tax for the energy required to mine the iron ore that was used to produce the steel that is needed for the engine in the car? How far back in the manufacturing process will the companies calculate the carbon emitted in order to add a carbon tax to the purchase price of the car?

The next question is how will this collected tax be used? Will it go to the development of new technologies for the reduction or elimination of carbon emissions? Perhaps it will just be added to the general tax revenue with the real benefit being to reduce the generation of carbon emissions. But there are several ways to accomplish this same goal that are more equitable.

One is to eliminate the subsidies that provide for activities such as fossil fuel burning or clear-cutting forests. These subsidies encourage the emission of carbon dioxide in the case of fossil fuel burning, and they reduce the sequestration of carbon dioxide when less trees are available to absorb them. This method, known as subsidy shifting, reflects the true cost of the activity and has already been implemented in countries like Germany where the coal subsidy has been reduced significantly. In Belgium, France and Japan the coal subsidies have been eliminated completely. Shifting these subsidies away from carbon emitting activities and to renewable technologies will have a positive impact on climate change. Better stated, shift subsidies away from environmentally destructive activities and offer them to activities that protect the environment.

Similar to subsidy shifting is tax shifting which also reflects the true cost of products we buy. The U.S., like most countries, imposes an income tax on corporations and individuals. If the climate change bill imposes a carbon tax on all consumers, it should be offset by a

comparable reduction in the income tax. The primary objective of imposing a carbon tax is to force the consumer to be more efficient in the use of energy. Rather than punishing (taxing) the people for earning a nice income, punish (tax) them for polluting the environment with carbon dioxide. In this manner, one is more inclined to work harder to make money and work harder to consume less energy and emit less carbon dioxide.

Another option which seems to make more sense, and perhaps being more equitable, is a tax-and-dividend plan. In the tax shifting proposal, the high income earners would benefit the most. These earners, which now pay a relatively large percentage for income tax, would receive an income tax deduction but pay a carbon tax that could easily be less than their income tax. But the low income owners that currently don't pay much income tax will receive little benefit from a lower income tax, and will probably pay a relatively larger carbon tax. To remedy this inequity, a better plan would be to impose a carbon tax but have it returned to the consumer as a dividend. In other words, everyone that consumes energy would have to pay the carbon tax and it would all go into a pool. All of this tax money, or at least a large percentage of it, would then be returned to every individual equally as a dividend. In this manner, the large energy consumers would pay out more than they get back, while those who are energy efficient will receive a larger sum as a dividend than what they paid as a carbon tax. In effect, you could get paid to use renewable energy, like wind and solar, or to be energy efficient. Now doesn't that make more sense?