



Carbon Tax 101

A regressive tax that would do little to address global climate change

A carbon tax places a price on carbon dioxide and other greenhouse gas emissions to encourage businesses to reduce emissions. Businesses will either incur the cost (or pass it on to consumers) or switch to lower- or zero-emissions technologies.

Often floated as the most efficient way to lower our carbon emissions, a carbon tax is a textbook example of blackboard economics: it may make sense in the classroom, but falls apart in the real world. Imposed unilaterally, the tax would harm American households, businesses and the economy at large while providing very minimal climate benefits.

Fact vs. Myth

- **Fact:** A carbon tax would disproportionately hurt low- and middle-income families.
 - Increased energy costs would hurt these families more than wealthy ones because they spend [a greater share of their income](#) on energy.
- **Myth:** We no longer need fossil fuels to meet our energy needs.
 - The American power system currently relies on fossil fuels for [81% of its energy needs](#). While renewable and nuclear energy play an important role in our energy mix, we still need fossil fuels.
- **Fact:** We can lower carbon emissions without a harmful tax.
 - The United States has shown that free, competitive energy markets can supply affordable, reliable power and [lower greenhouse gas emissions](#).

The problems with a carbon tax

- **A carbon tax is ineffective at addressing global climate change.**
 - The United States accounts for roughly [15% of global carbon emissions](#). Taxing to eliminate emissions here would fail to meaningfully reduce global emissions and could result in CO2 leakage, where businesses choose to operate in countries without punitive policies.
 - If the United States were to eliminate all CO2 emissions today, the climate impact would be [negligible](#); total global temperatures would decrease by 0.2 degrees Celsius by 2100 and sea level rise would be slowed by less than 2 centimeters.
- **A carbon tax hinders energy innovation.**
 - Consumer demands and market forces are already driving energy innovation. A carbon tax [would impact multiple sectors of the economy](#), driving up costs for businesses, reducing their ability to invest in [R&D expenditure](#).
- **A carbon tax harms families and American economic competitiveness.**
 - The effects of a carbon tax would be felt economy-wide and impact more than just the fossil fuel industry.
 - A carbon tax would [cause](#) a loss of 1.4 million jobs and an aggregate GDP loss of \$3.9 trillion.
 - A carbon tax would [disproportionately impact small businesses](#) as they spend a larger share of their revenue on new energy costs, benefiting bigger industries that can simply absorb additional costs.

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- A carbon tax would increase household electricity costs by between 12% to 124% and result in a total income loss of [\\$40,000 for a family of four](#).
- Even if carbon tax revenue is rebated back to consumers, it will still be costly for American families as they'll pay more for energy costs but also more for all the goods and services that require energy.

Markets vs. Mandates

- Through private sector leadership, America has led the world in emissions reductions, grown our economy, and kept energy affordable, all without a carbon tax.
 - Since 2000, America has [led the world in absolute emissions reductions](#) due in large part to the fracking revolution and the shift from coal to natural gas.
 - GDP in the United States has grown 28% since 2005, while territorial emissions [have decreased by 14%](#).
- The private sector is continuing to reduce emissions:
 - Auto manufacturers such as [Ford](#) and [General Motors](#) and tech companies including [Amazon](#) and [Microsoft](#) have made goals to be net-neutral before 2050.
 - [Heavy industries](#) in the United States are voluntarily reducing emissions.
- Under a carbon tax and other excessive regulations, the European Union has reduced emissions at [a slower rate than the United States](#), while paying [50% more for electricity](#).
 - In response to levied taxation on diesel fuel in France, thousands of Frenchmen took to the streets in the [Yellow Vest Protests](#), which lasted for nearly one month.
 - 72% of French citizens supported the protests and opposed green taxes on fuel.

How to move the economy and environment in the right direction

- Unleash innovation.
 - Analysis from some 180 countries shows a strong positive correlation between [economic freedom and environmental prosperity](#).
 - By reducing [regulations that hinder private sector innovation](#), we can increase the deployment of more efficient, cleaner technologies
- Support innovation through smart tax policy.
 - Policies such as immediate expensing under the 2017 Tax Cuts and Jobs Act has led to an [11% increase in environmentally-related R&D](#).
 - [Tax policies that boost innovation](#) lead to greater roll out of green technologies.
- Eliminate subsidies for all energy sources and technologies, including fossil fuels.

Summary

- A carbon tax is costly, regressive, and provides negligible environmental benefits.
- Private sector innovation has led to rapid emissions decreases in the United States.
- With free markets, streamlined regulations, and effective tax policies, the private sector can create jobs, grow the economy and deploy cleaner, more efficient technology in the U.S. and around the world.

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