HR 763 - The Energy Innovation and Carbon Dividend Act

1. The goal of HR 763 is that low-carbon energies become the “go-to” fuels as they become cheaper relative to fossil fuels. Although the bill would not preclude other incentives, the idea is that the price signal from the fee would incentivize businesses and investors to invest in renewables vs. fossil fuels (because fossil fuels will get more expensive). So government incentives will be less necessary.

2. If HR 763 is implemented, producers will transition to lower-carbon sources of energy to power their operations, because they will be cheaper. This will lower the carbon footprints of consumers because research shows 60% of our carbon footprint comes from the food and goods we buy.

3. While not self-evident, studies show low-income families will come out ahead after receiving the monthly dividend, even after paying higher prices on some products. This is because their carbon footprint is smaller (they buy less in all categories of expenditures than do higher income households).

4. Over 3,500 economists have signed on to carbon fee and dividend, including numerous at the University of Michigan. Their statement published in the Wall Street Journal says it is the most cost-effective climate solution and that the majority of citizens will benefit financially.

5. Receiving equal, regular dividends (that more than cover higher prices) makes this different from the gas tax protested by France’s Yellow Vest movement, which had no dividend. Also, this fee is not assessed at the pump, but further upstream on fossil fuel producers.

6. Receiving dividends can be very popular with the public, as is seen through the situation with the Alaska Permanent Fund. Dividends can supply the staying power crucial to allowing the fee on carbon to be maintained through changes of leadership.

7. Studies show HR 763 would achieve CO2 reductions faster than the Clean Power Plan.

8. In HR 763 only combustion of fossil fuels is addressed. The health impacts of fossil fuel pollution can still be regulated to protect frontline communities. Federal authority over CAFE vehicle fuel efficiency standards will be preserved. The Clean Air Act will remain the law of the land (more on this below).*

9. HR 763 would not preempt or supersede any state law or regulation. This protects state renewable energy and clean fuel standards, including the Northeast's Regional Greenhouse Gas Initiative.

10. HR 763 includes emissions reductions targets for every year beginning in 2025--If targets are not met by the preceding year, the fee goes up in the following year. Should this legislation be deemed by the Academy of Sciences and/or the EPA Administrator to not be meeting targets within ten years, the EPA shall issue regulations necessary to meet the targets.

11. Regarding the Pay-As-You-Go requirement: Federal revenue could be cut with a carbon fee (due to businesses deducting their fuel expenses) so taxing the dividend fulfills the Pay-As-You-Go requirement. Taxing the dividend makes it more progressive because lower incomes pay less tax.

12. If the dividend puts someone in a higher tax bracket, only that small portion of the dividend that exceeds the lower tax rate would be taxed at a higher rate. It would not be a significant amount.

13. In HR 763, natural gas that comes out of the ground will be taxed based on the Green house gases that would be emitted when it is later burned. That's about 2.6 lb CO_2e per lb of natural gas. See info on flaring and leakage below.**

14. To lessen fugitive methane, current legislation that requires fossil fuels companies to find and repair leaks can be strengthened.

15. Methane from non-combustion sources like animals, landfill gas, etc. can be addressed via complementary legislation.

16. The narrowness of HR 763 is designed to lend simplicity and transparency, and thus improve its chances of acceptance by both the public and by legislators.

17. In HR 763, bans are not banned. For instance, fracking bans can still be pursued, and anti-nuclear movements and/or efforts that target nuclear safety and disposal can continue.

18. HR 763 could help meet the goals of the Green New Deal.

19. The revenue neutrality of the dividends allows legislators to honor a “no carbon taxes” pledge.

20. HR 763 is the first bipartisan carbon pricing solution to be introduced in 10 years.

* The Clean Air Act is the foundational EPA authority over greenhouse gases and was confirmed by the Supreme Court’s Massachusetts vs. EPA ruling in 2007. The regulatory limits in this bill affect only three existing mechanisms: (1) the Clean Power Plan (CPP), which never went into effect and is being replaced by the Affordable Clean Energy rule (ACE) proposed by the Trump Administration; (2) permitting rules referred to as ‘New Source Performance Standards’ (NSPS) for new industrial plants that emit greenhouse gases; and (3) permitting rules for plant modifications under the same NSPS provisions. These three mechanisms would be put on hold as long as emissions targets were being met.

** Natural gas that is flared out in the field (like at oil wells) will hopefully be taxed at the same rate of natural gas that is sent to market (about 2.6 lb CO_2e per lb of natural gas), depending upon technical feasibility. Natural gas that leaks into the air without being burned (fugitive emissions) from wells, tanks, meters, or pipeline are not likely to be taxed under the bill due to difficulties in measuring it accurately. If it did get taxed, it would be at 25X the rate for CO_2. Here is more general info regarding natural gas and carbon fee and dividend.