U.S. Carbon Tax

Congressional Research Service Study Findings

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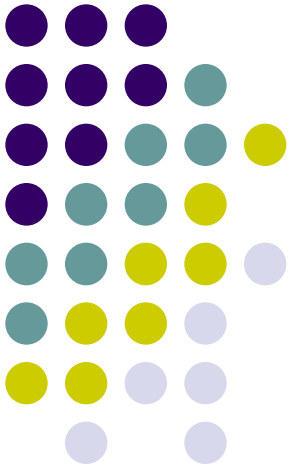

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$20 Per Metric Ton Carbon Tax

- Imposing a $20 per metric ton carbon tax could:
  - Reduce the deficit by 50 percent over the next 10 years
  - Generate approximately $88 billion in 2012, rising to $144 billion by 2020

Congressional Approach

- Congressional approaches to a carbon tax could include:
  - Setting a tax rate that accrues a specific amount of revenues
  - Setting a tax rate based on environmental benefits received
  - Setting a tax rate based on carbon prices estimated to meet a specific GHG emissions reduction target
- Current bills in 111th Congress
  - H.R. 3242 – "Save Our Climate Act of 2011"
    - Establishes a carbon tax on domestic and imported fossil fuels, as well as carbon content of biomass, municipal solid waste, and any organic material used as fuel.
  - H.R. 6338 – "Managed Carbon Price Act of 2012"
    - Bill cuts and puts a price on carbon emissions, while returning some money to consumers and using the rest to reduce the deficit.

Effects on Industrial Sector

- Estimated to increase the price of fossil fuels

- Carbon-intensive, trade-exposed industries will face a disproportionate impact within a unilateral carbon tax system
  - Policymakers could alleviate this burden through carbon tax revenue distribution or through a border adjustment mechanism

Estimated Cost of Increases to Fossil Fuels

Carbon Tax Rate	Coal	Crude Oil	Natural Gas	Motor Gasoline
$5/mtCO2	$9.50/short ton	$2.15/barrel	$0.25/mcf	$0.05/gallon
$15/mtCO2	$28.50/short ton	$6.45/barrel	$0.75/mcf	$0.15/gallon
$25/mtCO2	$47.50/short ton	$10.75/barrel	$1.25/mcf	$0.25/gallon
$50/mtCO2	$95.00/short ton	$21.50/barrel	$2.50/mcf	$0.50/gallon

Source: CRS

Industrial Additional Costs with a $15/mtCO2 Carbon Tax

	Consumption (2011)	Estimated Tax	Additional Costs
Coal	71.7 million short tons	$28.50/short ton	$2.0 billion
Natural Gas	6,714,260 mcf	$0.75/thousand cubic feet	$5.0 billion
Electricity	Includes coal and natural gas consumption	Based on the $15/mtCO2	$9.6 billion
TOTAL			**$16.6 billion**

Source: EIA, CRS

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Industrial Additional Costs with a $50/mtCO2 Carbon Tax

	Consumption (2011)	Estimated Tax	Additional Costs
Coal	71.7 million short tons	$95.00/short ton	$6.8 billion
Natural Gas	6,714,260 mcf	$2.50/thousand cubic feet	$16.8 billion
Electricity	Includes coal and natural gas consumption	Based on the $50/mtCO2	$32.2 billion
TOTAL			**$55.8 billion**

Source: EIA, CRS