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# This Climate Bill Would Actually Send Checks To Americans. Can It Help Save The Planet And Grow Our Economy?

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Manufacturing

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In addition to being sustainable and reducing their companies' carbon footprints, business leaders ... [+] CANVA

Climate change is an all-hands-on-deck crisis. The problem comes from many quarters of Spaceship Earth, and while many solutions can help solve it, none of them can do it alone. **Vegan diets and paper straws alone won't save the planet.** We need high-impact, large-

Economists, leading voices in the business community, and many others believe that the most promising single policy solution is a price on carbon. The carbon pricing mechanism most talked about is a carbon tax. Unfortunately, there's a roadblock: the word "tax." Almost without fail, knee-jerk objections arise: "it won't work," "Republicans and businesses will fight against it tooth and nail," "it will kill small businesses," and "it won't help my community." But what if a carbon tax created jobs, grew the economy, and its revenues were used to send a monthly check to U.S. households? There is a specific piece of carbon tax legislation—the Energy Innovation and Carbon Dividend Act (EICDA)—that would do all these things.

## EICDA: The Biggest Climate Bill You Never Heard Of

Carbon taxes are considered the most effective economy-wide policy tool for greenhouse gas emission reductions. The theory is simple: Emissions are causing great damage, and those who are responsible should pay for the consequences.

By requiring CO<sub>2</sub> emitters to pay for the negative consequences of their emissions, carbon taxes correct the market's failure to include those costs in the price of the fossil fuels that are at fault. In a January 2019 [statement](#)<sup>1</sup> in the Wall Street Journal, more than 3,500 U.S. economists from across the political spectrum declared: "A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary."

The Energy Innovation and Carbon Dividend Act (H.R. 2307) combines a carbon tax with a carbon dividend. Like wine and cheese, it's a good pairing and has generated substantial buzz in the climate policy world. When it was introduced in 2018, it was the first bicameral, bipartisan carbon tax ever introduced in Congress. If enacted it would be the first U.S. law to address climate change using a comprehensive, market-based, revenue-neutral approach. With 69 [co-sponsors](#) as of this writing, it is the best-known and most broadly supported carbon legislation in the current session of Congress.

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EICDA would also assist the EPA's [Renewable Fuel Standard Program \(RFS\)](#) and the

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The EICDA has three pillars:

- A gradually rising carbon fee
- A carbon dividend or rebate to households
- A border carbon adjustment

## Gradually Rising Carbon Fees Reduce Emissions

EICDA's carbon fee is a straightforward tweak to market dynamics. The bill imposes a steadily rising carbon fee on the CO<sub>2</sub> emissions of fossil fuels and carbon-intensive products when they enter the economy — at the mine, well, or port of entry. To avoid shocking the economy, the fee starts at a low \$15 per metric ton of CO<sub>2</sub> emissions. The fee then increases annually by \$10 per metric ton to gradually wean the economy away from fossil fuels. This approach gives businesses certainty in making both short- and long-term investment decisions.

The fee will shift market dynamics in favor of fossil fuel alternatives. The rising price of CO<sub>2</sub> emissions will encourage innovation and make climate solutions more competitive in the marketplace. Everyone— individuals, businesses, and government— can make choices that work economically AND drive down carbon pollution.

The robustly increasing fee makes it possible for EICDA to commit to an ambitious schedule of U.S. emission reductions and project a decrease in emissions to 36-38% of 2005 levels by 2030. This exceeds America's commitment under the Paris Agreement to a

## Carbon Dividends Avoid Regressivity and Stimulate the Economy

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Revenues from the EICDA carbon fee are projected to total over \$1 trillion in the first eight years. EICDA pays over 98% of those revenues as a monthly dividend (think rebate) to households. In year one, a family of two adults and two children would receive about \$790 in carbon dividends. As early as year ten, that sum would increase to nearly \$3,500.

Roughly two-thirds of households will break even or come out ahead financially. On top of being equitable, the carbon dividend makes good political sense. First, it prevents the possibility of an American Yellow Vest rebellion, like the one that greeted France's attempt to raise gas taxes. Second, once voters start receiving monthly dividend checks, woe to the politician who tries to take them away!



French President Emmanuel Macron's announcement of a 'green' carbon tax on fuel in late 2018 ignited ... [+]  
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The money that EICDA puts in the pockets of consumers will flow to businesses that serve them, creating significant GDP growth and 2.1 million new jobs in all sectors of the economy that do not depend heavily on fossil fuels.<sup>2,3</sup> And finally, the carbon dividend keeps EICDA revenue-neutral. EICDA's administrative costs are estimated to average 1.7%

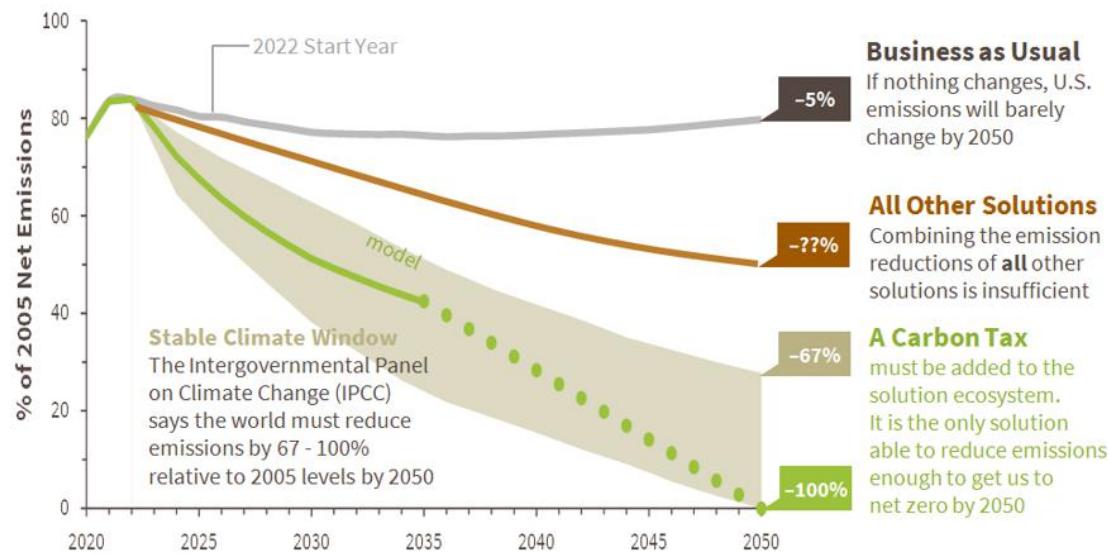
# A Border Carbon Adjustment Harmonizes Global Trade

To ensure that U.S. manufacturers compete on a level playing field with countries that have a lower price on carbon, imported carbon-intensive goods will be assessed for a border carbon adjustment. Meanwhile, American exporters of those same goods will receive a refund. The adjustment on imports has the effect of encouraging other countries to enact their own price on carbon because the U.S. gets to keep the adjustment fees. If those countries enact a comparable carbon price, they would keep the fees instead.

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## About Those Objections...

As we race to reverse climate change and avert the worst consequences, policy discussions are attended by urgency and the question, “Will it be enough?” With President Biden’s, all-government approach to addressing the crisis <sup>4,5</sup>, many steps are being proposed and taken. Even in aggregate, however, the answer is, “No! They all contribute, but they are not sufficient.” It’s not possible to estimate those reductions, but we do know that without EICDA, the U.S. cannot meet the net zero by 2050 emissions challenge!



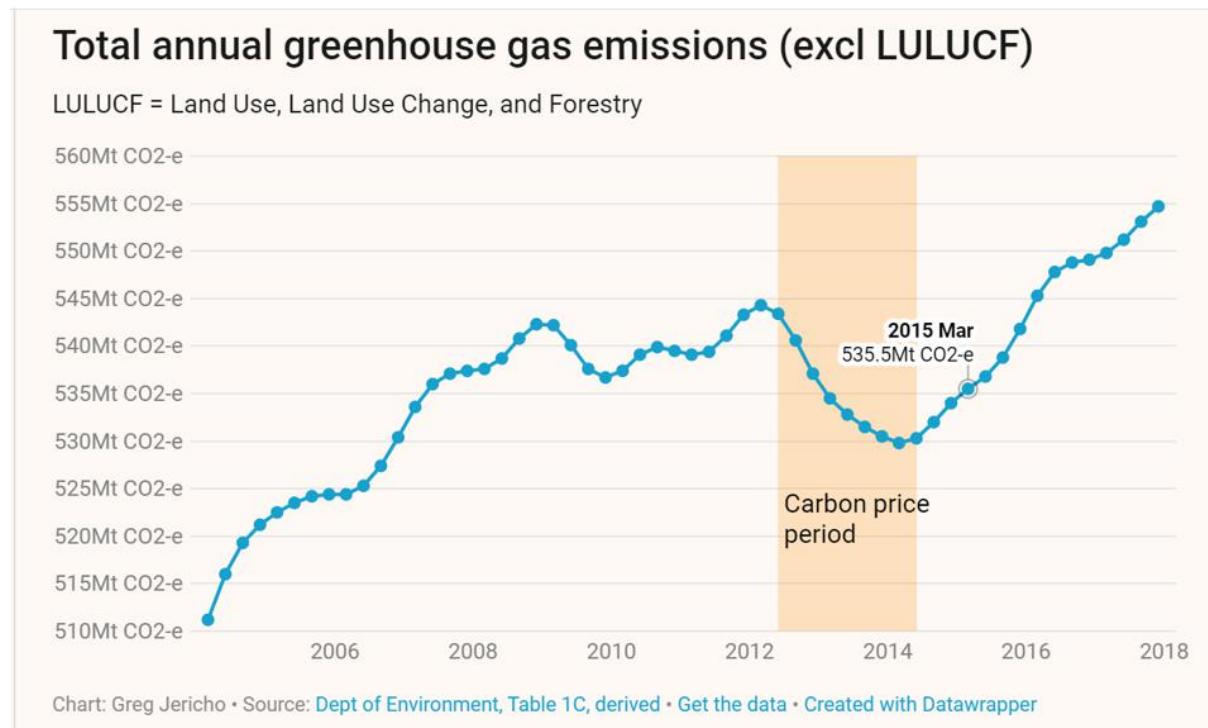
A carbon tax like the EICDA is the one essential policy that is required to achieve zero emissions ... [+] BUSINESS CLIMATE LEADERS

## Will it work?

Economists think so. In 2019, 3,576 of them—including 28 Nobel Laureate Economists, 4 former Chairs of the Federal Reserve, and 15 former Chairs of the Council of Economic Advisers—announced support for carbon fee and dividend.<sup>6</sup> But what does the real world

Australia's neck-jerking flip-flop on carbon taxes proves the point. Under a liberal government, a carbon tax was initiated in 2012. In 2014, a new conservative government rescinded the tax. From 2012-2014, greenhouse gas emissions declined even while global emissions rose. After the carbon tax was revoked, Australian emissions quickly rose to new highs. The rapidity of the turnaround, both after implementation and then after the tax was revoked shows the rapid impact of a carbon tax on emissions. The following chart shows emissions before, during, and after the carbon tax was implemented.<sup>7</sup>

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Australia's flirtation with a carbon tax had rapid results. Emissions declined dramatically as soon ... [+] THE GUARDIAN.

## British Columbia

In 2008, the Canadian province of British Columbia introduced North America's first revenue-neutral carbon tax. It imposed a gradually increasing price on the use of carbon-based fuels and covered approximately 70% of provincial emissions. Initially, all the revenues funded corresponding cuts in other taxes, and every dollar generated was returned to British Columbians.<sup>8,9</sup> Even though B.C.'s tax started quite low, it reduced emissions in the province by up to 15% from what they would have otherwise been.<sup>10</sup> From 2008-2013, BC's drop in emissions was 350% larger than the rest of Canada.

At the same time, the tax had negligible effects on overall economic performance; between 2007 and 2014, B.C.'s real GDP grew 12.4%. Stewart Elgie, Professor of Law and

## Sweden

Implemented in 1991, Sweden's carbon tax covers only about 40 percent of all greenhouse gases emitted nationally. Sweden levies the highest carbon tax rate in the world, at \$126 per metric ton of CO<sub>2</sub> in 2020. As a result, Sweden's emissions have fallen by 27% since 1991, while GDP per capita increased by more than 50% (1990 - 2019).

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## Do Republicans Hate It?

That depends on who you ask. A notable group — including James A. Baker <sup>12</sup>, Henry Paulson <sup>13</sup>, George P. Shultz <sup>14</sup>, Marty Feldstein <sup>15</sup>, Greg Mankiw <sup>16</sup> and Bob Inglis <sup>17</sup>— have championed carbon taxes for years. While this pedigree may not matter to some Republicans, it is important to remember that a carbon tax is in line with conservative principles. In 2017 a group of traditional Republicans released a proposal for a Carbon Dividend plan containing all three pillars of the EICDA <sup>18</sup>. The proposal has the support of a diverse group of major corporations, including Exxon, AT&T, Pepsi, Microsoft, and Ford. Their support refutes the myth that a carbon tax will be bad for business.

## Is It True that Big Businesses Hate Carbon Pricing?

Au contraire! A growing consensus within the business community believes that pricing carbon is the single necessary (but not the only) policy for addressing climate change. Elon Musk, for example, frequently calls for a carbon tax and frames it more or less like this: “all these other things— regulations, clean energy standards, etc., are just playing around the fringes. Just have a carbon tax and the market will do the right thing.”

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**Elon Musk**   
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It is high time there was a carbon tax!

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1

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for pricing carbon. Here's a sampling of their voices:

"A world wracked by frequent and devastating shocks from climate change cannot sustain the fundamental conditions supporting our financial system ... A price on carbon is the single most important step to manage climate risk <sup>19</sup>"

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"The [U.S.] Chamber supports a market-based approach to accelerate GHG [greenhouse gas] emissions reductions across the U.S. economy... Inaction is not an option <sup>20</sup>."

"No issue ranks higher than climate change... We support implementation of carbon pricing... Carbon prices... minimize the costs of reducing emissions <sup>21</sup>"

"... a market-based... approach... must include placing a price on carbon <sup>22</sup>"

"...public policy must...Utilize economy-wide market forces to deliver outcomes at the least cost <sup>23</sup>"

## A Carbon Price Won't Kill Small Business

As of this writing, some 1,200 mostly small- or medium-sized businesses have endorsed the EICDA. These voices come from sectors all over the economy, including wineries, breweries, ski resorts, health care, bicycle manufacturers, renewable power providers, electric vehicle makers, fashion, real estate, and high tech. They know that a carbon price will be fair to them and those that are proactive will come out ahead.

## What About Our Communities?

Along with such grassroots business support comes an important concern: How will a carbon price affect our communities? EICDA's wine and cheese pairing delivers big benefits to Americans everywhere. In particular, fenceline populations— those near factories, refineries, and powerplants— and low-income communities will benefit the most in terms of environmental justice and income inequality.

First, a carbon price will save 4.5 million American lives over the next 50 years by helping restore clean air across the country. This will have particular impact on fenceline communities, which have suffered the worst health impacts of burning fossil fuels. In these places, air quality will improve the fastest and the most. <sup>24</sup>

Second, the EICDA dividend is progressive. Almost two-thirds of American households

middle or high-income household. Second, because low-income families consume less, they have smaller carbon footprints and will face smaller price increases due to the carbon fee. In this way, the dividend addresses income inequality.

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## It's not too good to be true!

What more could anyone ask for? Fee and dividend is the single, must-have policy for achieving net zero emissions by 2050. It grows the economy, creates millions of jobs, improves public health especially in fenceline communities, reduces income inequality, and will incentivize our trading partners to adopt their own price on carbon. With all these co-benefits, even if climate change is truly a Chinese Hoax <sup>26</sup>, we should enact the EICDA anyway!

*Thank you to [Harold Hedelman](#) for additional research and reporting in this article. I'm the founder of [SynBioBeta](#), and some of the companies that I write about are sponsors of the [SynBioBeta conference](#) and [weekly digest](#).*



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1: Including 28 Nobel Laureate Economists, 4 Former Chairs of the Federal Reserve, and 15 Former Chairs of the Council of Economic Advisers. <https://www.econstatement.org/>

2: <https://citizensclimatelobby.org/laser-talks/remi-job-results/>

7: <https://www.theguardian.com/business/grogonomics/2018/may/15/its-no-surprise-emissions-keep-going-up-theres-no-price-on-carbon>

8: <https://unfccc.int/climate-action/momentum-for-change/financing-for-climate-friendly/revenue-neutral-carbon-tax>

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9:

<https://institute.smartprosperity.ca/sites/default/files/publications/files/BC%27s%20Carbon%20Tax%20Shift%20after%205%20Years%20Results.pdf>

10: <https://nicholasinstitute.duke.edu/climate/publications/british-columbias-revenue-neutral-carbon-tax-review-latest-grand-experiment>

11: <https://www.cbc.ca/news/canada/british-columbia/carbon-tax-bc-1.5083734>

12: **James A. Baker** was White House Chief of Staff and Secretary of the Treasury under President Ronald Reagan, and Secretary of State and White House Chief of Staff under President George H. W. Bush

13: **Henry M. Paulson, Jr.** served as Secretary of the Treasury under President George W. Bush.

14: **George P. Shultz** served in various positions under three different Republican presidents (Eisenhower, Nixon, and Bush), including four different Cabinet-level posts.

15: **Marty Feldstein** served as Chairman of the Council of Economic Advisers and as Chief Economic Advisor to President Ronald Reagan

16: **Greg Mankiw** was Chairman of the Council of Economic Advisers under President George W. Bush. In 2006, he became an economic adviser to Mitt Romney, and worked with Romney during his presidential campaigns in 2008 and 2012. In October 2019, he announced he was no longer a Republican due to his critiques of President Trump and the Republican Party.

17: **Bob Inglis** represented South Carolina's 4th congressional district from 1993-99 and again from 2005-11.

18: <https://clcouncil.org/founding-members/>

19: <https://www.cftc.gov/sites/default/files/2020-09/9-9-2020Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>

20: <https://www.uschamber.com/series/above-the-fold/update-the-chambers-approach-climate>

21: <https://www.blackrock.com/us/individual/2021-larry-fink-ceo-letter>

22: <https://www.businessroundtable.org/climate>

23: <https://www.api.org/oil-and-natural-gas/environment/climate-change>

24: [https://www.carbontax.org/blog/2020/09/28/environmental-justice-borne-aloft-by-carbon-pricing/?link\\_id=0&can\\_id=03e49bdbfa72c82fbf2fe66d51eb176e&source=email-clarifying-the-record-on-californias-carbon-pricing-and-environmental-inequities&email\\_referrer=email\\_1028362&email\\_subject=clarifying-the-record-on-californias-carbon-pricing-and-environmental-inequities](https://www.carbontax.org/blog/2020/09/28/environmental-justice-borne-aloft-by-carbon-pricing/?link_id=0&can_id=03e49bdbfa72c82fbf2fe66d51eb176e&source=email-clarifying-the-record-on-californias-carbon-pricing-and-environmental-inequities&email_referrer=email_1028362&email_subject=clarifying-the-record-on-californias-carbon-pricing-and-environmental-inequities)

25: <https://citizensclimatelobby.org/remi-report/>

26: <https://www.nytimes.com/2016/11/19/world/asia/china-trump-climate-change.html>



John Cumbers

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