Energy Innovation and Carbon Dividend Act

The Market-Based Climate Solution

Background

Recent major climate assessments have made clear the consequences if we fail to address climate change. We have high confidence projections of extreme temperatures, rising sea levels, and increased frequency and intensity of storms and droughts. Failure to act now will result in more severe costs to our environment, economy, and security in the future.

Proposed Solution

The *Energy Innovation and Carbon Dividend Act* is designed to encourage market-driven innovation in clean energy technologies; create efficient markets, encourage competition, promote our national interests; and create a healthier, more stable, and more prosperous nation for future generations. By placing a gradually rising price on carbon dioxide and other greenhouse gases, the legislation will create 2.1 million net new jobs by the 10th year, deploy private capital and American innovation to advance clean energy technologies, reduce U.S. carbon emissions by 33% in 10 years and 90% by 2050 (vs. 2015), and prevent 13,000 pollution-related U.S. deaths annually.

Legislative Summary

The *Energy Innovation and Carbon Dividend Act* contains the following key components:

- **Carbon Fee** – The legislation places a gradually-rising upstream fee on the carbon content of fuels. This will create market-driven demand for cleaner energy technologies and correct market distortions created by the negative externality of pollution. The fee is assessed once, upstream, and starts at $15 per metric ton of CO_2e. It increases by $10 each year. Exemptions and rebates are provided for agricultural fuels, non-emissive uses, and carbon capture and sequestration (CCS). Fluorinated greenhouse gases are priced at 10% of the carbon fee, multiplied by their global warming potential.
- **Carbon Dividend** – The legislation rebates 100% of net revenues from the carbon fee to the American people as a monthly dividend. This protects consumers and the economy, maintains revenue neutrality, and offsets cost increases for most Americans, including low- and middle-income Americans. An equal share is provided to all adults with a Social Security Number or Taxpayer Identification Number and a half share is provided on account of children. Additionally, the first payment is made one month in advance so that families and households are able to cover any increased energy costs.
- **Carbon Equalization Tariff** – Fossil fuels and carbon intensive imported goods pay an equalization tariff if their country of origin does not price carbon. Exported goods receive a fee refund. This prevents any emissions-intensive U.S. producers from facing any disadvantage relative to overseas competitors. This provision is also designed for WTO compliance.
- **Preservation of EPA Authority** – This legislation preserves the authority of the Environmental Protection Agency (EPA) to regulate greenhouse gas emissions under the Clean Air Act and allows EPA to review greenhouse gas regulations after six years as long as the emissions reduction targets set in the bill are being met.