

THE ENVIRONMENTAL JUSTICE LEADERSHIP FORUM ON CLIMATE CHANGE

CARBON CHARGE PROPOSAL

INTRODUCTION

As communities-of-color, Indigenous Peoples, and low-income communities, the Environmental Justice Leadership Forum on Climate Change (the Leadership Forum) calls on federal lawmakers and the new president to enact a suite of policies to address climate change as an immediate priority. These policies must be just, fair, sustainable and equitable. It is clear that in Congress a cap and trade mechanism has emerged as the leading approach to addressing the Climate Change Crisis. Our nation must do better than creating a stock market that commodifies pollution and continues to trade our health and environment for profit.

The Leadership Forum calls on the Congress to develop legislation that applies a charge to the use of any form of energy based on its carbon content and to use the revenues generated from that charge to provide charge relief for people, establish new supports for climate-related research and development, and the deployment of alternative fuels and technologies. In doing so the Leadership Forum joins the many economists, scientists and policy makers who recognize that a carbon-based charge that uses the revenue generated to provide charge relief to people and support new research and development in climate-friendly fuels and technologies is the only approach that is just, fair, sustainable and equitable.

THE CLIMATE CHANGE PROBLEM

Climate change is one of the most controversial science issues of the 21st century. For decades now the scientific community has known that the accelerated warming and decreasing predictability of our climate has been caused by the massive increase of greenhouse gases in the atmosphere. The big debate has always been whether the changes in our climate are a natural phenomenon or the result of human action. Today, the scientific debate on climate change has shifted from uncertainty about the drivers of this phenomenon to clear confidence that human activity, specifically the fossil-fuel carbon intensive way we power our modern economy, is a central culprit or accelerant in the changes in the climate or what we call global warming.¹

In the United States, the environmental justice movement is clear that our communities - communities of color, Indigenous Peoples and low-income - are either already experiencing the earliest impacts of climate change, or will experience the most significant impacts. These current and future impact disparities result from the disproportionate burden of pollution and health disparities that environmental justice communities bear as a result of the inequitable concentration of noxious facilities and undesirable land uses in our neighborhoods. For example, the Alaska Native communities near the Arctic Circle are already experiencing the impacts of climate change through shore erosion,² or lower water levels in lakes and rivers (which impacts the fish runs and the quality of the fish in the river). Communities in the Southern U.S. are experiencing severe droughts. In the West, we are witnessing a wild fire season that has started earlier and is one of the most intense on record. In the Midwest, annual precipitation has increased substantially, with residents having to deal with an increased number of days with heavy and very heavy precipitation events.

¹ IPCC Second Assessment – Climate Change 1995. A Report of the Intergovernmental Panel on Climate Change. IPCC Second Assessment Synthesis of Scientific-Technical Information Relevant to Interpreting Article 2 of the UNFCCC: <http://www.ipcc.ch/pub/sarsyn.htm>

² For purposes of this paper the phrase "Alaska Native" communities refer to federally recognized tribes.

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Beyond holding the dubious distinction of being amongst those who will be “worst hit” by climate change, residents in communities of color, Indigenous Peoples and low income communities, by definition, have fewer resources to move and adapt to climate change.³ If the aftermath of hurricanes Katrina and Rita taught us nothing else it should be that the adverse impacts of climate change fall heaviest on our communities.

While the science is clear, and the time for action is now, we have yet to get national legislation to address the most pressing issue of our day. To produce the reductions in greenhouse gases needed to slow global warming, we must phase out the use and extraction of fossil fuels. Our current reliance on fossil fuel for power generation and transportation – particularly our use of coal-burning power plants - account for almost a third of national emissions of carbon dioxide, one of the primary greenhouse gases.

While the lawmakers in the 110th Congress on Capitol Hill have debated a series of proposed bills, all of these bills fall short of the mark for achieving environmental protection and making the tough choices to get our nation to the post-carbon economy. Misguidedly, almost all of the bills contain some form of a cap and trade mechanism, and they lack any serious understanding of the environmental and social justice impacts that will result if they were to be enacted.

CRITIQUE OF CAP-AND-TRADE CARBON REDUCTION SYSTEMS

The environmental justice movement opposes cap-and-trade mechanisms as an approach to tackling global warming. This unequivocal opposition is based on the recognition of a myriad of flaws in and disparities created by cap-and-trade systems. Though cap-and-trade systems can be designed in multiple ways, each system shares a set of common challenges that make cap-and-trade a flawed policy approach for achieving the necessary reductions in the concentrations of carbon in the atmosphere.

The top problems with cap-and-trade carbon reduction strategies include:

1. The consistent lack of clarity on what standard should guide the creation of an overall emissions limit or cap. It remains unclear whether the cap should be set to scientific standards aimed at minimizing warming impacts of carbon emission, economic standards aimed at promoting economic growth, or some balance between mitigation and economic considerations;
2. The significant challenge posed by the necessary verification of emissions in a variety of sectors. Without reliable verification systems cap and trade systems can get gamed and fail to provide the environmental benefits they were established to achieve. This potential outcome has proven to be a reality in implemented cap-and-trade systems throughout the world;
3. The potential disparities and corporate windfall profits created by the distribution of emissions credits. Depending on the purpose of the cap-and-trade programs, credits can be meted out according to historical emission records of individual facilities or auctioned to create a revenue stream to fund programs providing aid to impacted industries, workers, and communities. Determining how to initially allocate emissions credits impacts both polluting facilities regulated through the program and all residents who could benefit from programs supported through carbon charge revenue;
4. Determining whether the carbon cap should apply to specific emission sources, target specific industries, or apply economy wide;

³ See, e.g., Robert D. Bullard, *Climate Justice and People of Color* 3 (2000), available at <http://www.ejrc.cau.edu/climatechgpoc.html>

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5. Allowing policymakers to decide whether and to what extent offsets and safety valves should be allowed. This level of discretion opens the carbon reduction system up to undue influence by very powerful business interest;
6. The lack of transparency inherent in cap-and-trade systems. The complexity of these systems necessitates a limited level of transparency and comprehension for both the general public, lawmakers and regulators. As a result, effective oversight of the trades will be difficult and very resource intensive.
7. The failure of the proposed cap-and-trade systems to shift assets to the polluting industries and to move the United States toward real technology innovation and the carbon free economy.
8. The consistent failure of the proposed cap-and-trade systems to address the issue of co-pollutants and hot spots. These intertwined issues have been a longstanding issue of concern for many communities of color and/or low income that house polluting facilities.
9. Cap-and-trade systems are prone to promoting energy price volatility. That kind of price volatility, which was witnessed in the ETS, hurts the average person and also plays a significant role in discouraging the innovation needed to build the new green economy.
10. The need to consider the issue of “leakage”. This is the very real concern and likelihood that consumers or retailers can always import products more cheaply from entities that are not parties to the pollution trading.

The critiques listed above are focused on the fundamental core components of any cap-and-trade system. But the Environmental Justice Leadership Forum also has a broader set of critiques of the proposed cap-and-trade bills in Washington, D.C. The broader critiques start out by questioning the morality of transforming pollution into a commodity to be traded in a market.

Another concern is the absence of the voices of communities of color, Indigenous Peoples, and low-income communities in shaping what is undeniably the most important policy issue of our lives. The environmental justice advocates who make up the Environmental Justice Leadership Forum have spent decades working to maximize the public voice in environmental decision-making, particularly the voices of people of color, Indigenous Peoples and low-income communities. As the legislative process has proceeded around the development of these bills these voices have once again been excluded.

A SOLUTION THAT PROMISES TO MAKE AMERICA BETTER

Overview

In the absence of strong regulation and oversight, the U.S. will not realize the air pollution reductions necessary to avert the environmental, political, public safety, and public health catastrophe global warming threatens to bring. Additionally, without an identified revenue stream, it is unlikely the federal government would devote any meaningful resources to promote technologies exploiting clean renewable energy sources. For these reasons, the members of the Environmental Justice Leadership Forum believe that a carbon charge, such as that advocated by Dr. Hansen and many economists, would be best approach to reducing the concentrations of carbon in the atmosphere that contribute to the climate crisis we are facing.⁴

A carbon charge could serve as a bridge between our society’s current reliance on fossil fuels and the time when new technologies would be mature enough to begin to yield market-viable energy sources and options. The carbon charge would also provide a revenue stream to support research and development of

⁴ See the CBO study, Policy Options for Reducing CO₂ Emissions, February 2008, Chapter 1.

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the necessary technologies as well as provide financial assistance including payroll tax relief to mitigate the economic burden on all impacted by increased energy cost.

Solution Specifics: Carbon Charge Elements

In our vision, a carbon charge regime would collect revenues through charging the emission of carbon, and would return this collected revenue to all who live and work in the United States.

A carbon charge regime must include the following essential elements:

Charge Rates.

Carbon charge legislation must set the charge rate high enough to encourage energy firms and emission sources to make the necessary financial investment in technological controls and energy efficiency, as well as research and development of clean, renewable energy options. Such a charge may be phased in gradually over a period of five years to an initial charge rate – which some economists have suggested should be approximately \$50 per ton. However, the charge rate should not remain static or merely track inflation, but should continue to rise over time (to perhaps \$300 per ton or higher) so that resource conservation and development of clean renewable energy continue to be an attractive alternative to fossil fuel use. Likewise, rates would also be adjusted in accordance with the findings of regularly scheduled environmental reviews. These rate adjustments would be mandated in cases where environmental reviews reveal that the carbon charge is not reducing the concentrations of carbon in the atmosphere at the rate required to reduce the rate of climate change.

Point of Charge.

The emissions charge that proposed will be imposed upstream at mines, oil and gas wells. This imposition point allows the carbon charge regime to take advantage of lower administrative costs.

Environmental Review.

Any legislation purporting to deal with climate change should not be only focused on revenue generation, but must address the underlying environmental problem of carbon concentration in the atmosphere. Toward that end, the legislation establishing the carbon-based charge must also have a review process every five years to determine if the carbon charge is actually leading to the reduction of carbon concentrations in the atmosphere at rates that are consistent with the best science. If the goals are not being met then the lead agency shall have the power to increase the charge rate to achieve those goals. In addition, the environmental review must also examine progress on the reduction of co-pollutants and hot spots, which arguably contribute to more deaths annually, especially in those communities historically disproportionately burdened. Triggers will be included in the environmental review of co-pollutants and hotspots to ensure that protections are maintained for vulnerable communities located near polluting facilities.

Application of Charge Revenue.

The revenue generated must be recycled to provide relief for higher energy costs to all who live and work in America. There should be authorizing legislation that provides payroll tax relief as one form of revenue recycling. Furthermore, revenue from the charge should be used to fund programs that would help wean the economy off fossil fuel and provide assistance for vulnerable workers and communities to make the transition to the new economy. At a minimum, such a program must:

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- 1) include subsidies for energy efficiency such as home weatherization and support for green building with prioritization of low-income communities and communities of color especially those living in vulnerable areas such as coastal zones, floodplains, the arctic, and urban areas;
- 2) provide assistance to low-income energy rate payers through devices that could include expansion of the earned income charge credit program, rate payment subsidies through existing programs such as the Electronic Benefits Transfer (“EBT”) system, and any other mechanisms that would be effective in mitigating the increased energy costs for vulnerable populations;
- 3) provide retraining for affected workers (e.g., coal miners) and retooling for affected industries in the energy sector or in energy intensive businesses;
- 4) increase funding for and promote research and development of clean renewable energy and cellulosic biofuels especially those that take advantage of regional resources such as solar or wind energy;
- 5) provide funding for high school- and college-level educational programs that would train the next generation of technical experts on clean renewable energy;
- 6) provide appropriate incentives for entrepreneurial efforts to make clean renewable energy technologies economically viable and marketable for widespread use;
- 7) cover the cost for the implementation of adaptation measures such as protection for coastal communities;
- 8) provide new support health care and the public health systems' ability to deal with heat-related illnesses and vector-borne diseases, to name a few; and
- 9) establish resources for the deployment of clean distributive energy generation systems.

Prohibition on Offsets.

Sources must not be allowed to use offsets of any kind.

Co-pollutants and hot spots.

The legislation establishing the carbon-based charge must also address co-pollutants, which have long been an issue that has disproportionately impacted the communities represented by the Environmental Justice Leadership Forum.

CONCLUSION

Survey after survey is showing that a solid majority of those who live in America believe that climate change constitutes an “urgent threat”. We have a history of rising to the occasion in moments of national crisis and by all accounts we are at such a moment again in our history. The climate crisis we face will not be solved by the same old Washington, D.C. politics of facilitating the corporate agenda of never-ending profits at the expense of our environment and our people.

The time for change is now. The environmental justice movement believes that a carbon charge is the way to address the climate crisis in a just, fair and equitable way. We hope that you will join us in bringing about the change in climate policy that we need.