Climate Action Rebate Act of 2019

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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. Leading economists agree that a market-based approach is an effective and efficient policy to reduce emissions.

Proposed Solution

The *Climate Action Rebate Act of 2019* is designed to level the energy playing field by ensuring that companies who use emissions-heavy technologies and fuels internalize the social and environmental costs of those emissions. Correcting the market distortions currently created by the negative externality of pollution will efficiently reduce greenhouse gas emissions and generate demand for cleaner technologies. Additionally, the revenue raised by the carbon fee is invested in programs that will offset cost increases for low- and middle-income Americans, create jobs, rebuild our infrastructure and improve its resiliency, promote innovation in clean energy technology, and protect vulnerable workers and communities. The legislation is designed to reduce U.S. carbon emissions 55% by 2030 and 100% by 2050 (compared to 2017 emissions).

Legislative Summary

The *Climate Action Rebate Act of 2019* contains the following key components:

- **Carbon Fee** – A gradually rising fee on fossil fuels and fluorinated gases, adjusted for their greenhouse gas potential. The fee is assessed once, upstream, and starts at $15 per metric ton of CO_2e. Exemptions and rebates are provided for carbon capture, utilization and sequestration (CCUS); non-emissive uses such as chemicals production; and nature-based carbon sinks. The fee on fluorinated greenhouse gases is priced at 20% of the carbon fee. Further, the fee is tied to annual emissions reduction targets and rises more quickly if those targets are not met.
- **Border Adjustment** – Fossil fuels and carbon-intensive imported goods pay an equalization fee at the border and comparable exported goods receive a refund. This prevents U.S. producers in energy-intensive, trade-exposed industries from facing a disadvantage relative to overseas competitors. This provision is also designed for WTO compliance.
- **Revenue Use** – The legislation rebates 70% of net revenues from the carbon fee to low- and middle-income Americans as a monthly dividend. An equal share is provided to adults with a Social Security Number or Taxpayer Identification Number and a half share is provided for children under 19 years old. The remainder of the revenues are spent on additional necessary investments in a cleaner energy future, including rebuilding our infrastructure, support for energy innovation, and funds to help workers and communities transition to a cleaner energy economy.
- **Additional Provisions** – All uses of the revenue must be spent in accordance with the Buy American and Davis-Bacon Acts. The legislation does not preempt state law or undermine existing federal regulatory authority.