BILL ANALYSIS

THE MARKET CHOICE ACT OF 2019 (H.R. 4520)

On September 26th, 2019, Rep. Brian Fitzpatrick (R, PA-01), Rep. Salud Carbajal (D, CA-24), Rep. Francis Rooney (R, FL-19), and Rep. Scott Peters (D, CA-52) introduced the bipartisan MARKET CHOICE Act.

BILL SUMMARY

The MARKET CHOICE Act places a price of $35 per metric ton of carbon dioxide, beginning in 2021. The price increases by 5% each year, plus inflation. The fee is economy-wide, meaning it covers all sectors of the economy, and is assessed "upstream" at the point of extraction, manufacturing, or production. The fee covers fossil fuels (coal, petroleum, petroleum products, natural gas), certain industrial processes, and fuel ethanol. There are exemptions for carbon capture or utilization. The MARKET CHOICE Act replaces the gas tax with a price on carbon dioxide. It seeks to fund the country's transportation infrastructure shortfall.

The revenue generated from this legislation creates the "Rebuilding Infrastructure and Solutions for the Environment" (RISE) Trust Fund (to account for scoring purposes, only 75% of the revenue is used). Within the RISE Trust Fund, 70% of the revenue funds infrastructure through the Highway Trust Fund. 10% of the revenue funds state block grants for low-income households. The remaining 20% goes to a variety of programs, including flooding mitigation, adaptation, aid for displaced energy workers, carbon capture, research and development, weatherization, farmer assistance, and more.

The MARKET CHOICE Act places a 12-year moratorium on the EPA's ability to regulate Greenhouse Gas (GHG) emissions from stationary sources, for their climate affect. The EPA can still regulate methane and automobile emissions. The moratorium is lifted if emissions reductions goals are not met in 2025 and 2029.

OUR PRINCIPLES

FCNL's carbon pricing principles help us evaluate carbon tax legislation. Here is how the MARKET CHOICE Act aligns with our principles:

PRINCIPLE	DOES THE BILL DO THIS?	
Enact a Price on Carbon High Enough to Drive Reduction in Greenhouse Gas (GHG) Emissions The most important outcome for a carbon tax is the reduction of GHG emissions.	The bill is projected by Resources for the Future to reduce carbon emissions by 36% below 2005 levels by 2025. This legislation goes beyond our commitment to the Paris Climate Agreement and exceeds the Clean Power Plan goals.	✔
Prevent "Leakage" Leakage occurs when GHG producers move their operations to another country without a comparable carbon pricing system.	A fee is placed on imported carbon-intensive goods, comparable to the fee placed on domestic carbon-intensive products. Conversely, there is a tax credit for carbon-intensive exports. This incentivizes other countries to price carbon.	✔

PRINCIPLE	DOES THE BILL DO THIS?	
Reporting and Transparency To ensure we reach emissions reductions goals, measuring, reporting, and verifying should take place at both the facility and national level.	The bill specifies annual emissions levels for 2021 through 2031. The Secretary of the Treasury and the Administrator of the EPA will produce an annual report stating the emission reduction levels achieved. If emissions exceed these levels, the Secretary and the Administrator will adjust the rate of the carbon tax. This bill also creates a bipartisan National Climate Commission to review the levels of emissions every five years after 2025.	✓
Course correction If the set price is not sufficiently driving down emissions, then the price should increase.	Every two years, the Secretary of the Treasury will determine if the emissions reduction goals have been met. If not, the rate per metric ton will increase by an additional $4.	✓
Protect Vulnerable Communities The carbon tax should follow a “polluter pays” philosophy and ensure that the costs are not borne by vulnerable and low-income communities.	Within the RISE Trust Fund, 10 percent of the revenue is for state grants to offset high energy costs for low-income households. States must demonstrate compliance with the law before they receive funds. Four percent helps communities plagued with frequent/chronic coastal flooding by creating and updating current infrastructure projects, such as gravity drainage structures and road elevation. An additional 1.5 percent is allocated for the Abandoned Mine Reclamation Fund, which helps reclaim and revitalize abandoned mine and coal sites. Three percent of revenue goes towards displaced workers and vulnerable communities affected by carbon-intensive industries for retraining programs, relocation, or health benefits. 1.6 percent assists famers with practices to implement and improve carbon sequestration. Additionally, 1.5 percent is allocated for weatherization programs to aid low income, elderly or handicapped households make their homes more energy efficient.	✓
Invest in An Affordable Clean Energy Future Revenue from a carbon tax should also be invested in renewable energy research, development, and efficiency.	1.5 percent of the revenue goes towards ARPA-E, the Advanced Research Projects Agency-Energy, which funds frontier energy innovation research that the private sector views as too uncertain to invest in. An additional 0.5 percent is for energy storage research and development. While FCNL prefers mitigation over capture policies, the investments this bill makes in carbon capture utilization and sequestration can help advance technologies to reduce emissions from the sectors of our economy that are most difficult to decarbonize.	✓

WHAT ABOUT THE REGULATIONS?

At FCNL, we believe that regulations are a necessary tool to reduce U.S. GHG emissions. FCNL is concerned that the bill limits EPA’s regulatory authority. However, we recognize that the regulatory moratorium ends if the carbon fee does not achieve the desired emissions reductions. Overall, FCNL remains committed to defending important environmental regulations that protect the environment for all people.

IN CONCLUSION

FCNL has worked for years to cultivate the space in Congress for meaningful, bipartisan action on climate change. The MARKET Choice Act is an important model for how bills can enumerate specific emission reduction goals and provide a clear plan for how revenue can be used to address the impacts on vulnerable communities and other negative effects associated with a carbon tax. While we have concerns about the regulatory moratorium, we believe that this legislation helps build an important foundation for robust dialogue and action on climate change in Congress.