BILL ANALYSIS

THE AMERICA WINS ACT OF 2019 (H.R. 4142)

On August 2, 2019, Rep. John Larson (D, CT-01), Rep. Eleanor Holmes Norton (D, DC), Rep. Stephen F. Lynch (D, MA-08), and Rep. Donald Payne Jr (D, NJ-10) introduced The America Wins Act.

BILL SUMMARY

The America Wins Act places a price of $52 per metric ton of carbon dioxide, beginning in 2021. The price increases by 6% each year, plus inflation. The fee is assessed “upstream” at the point of extraction, manufacturing, or production, and covers fossil fuels (coal, petroleum, petroleum products, natural gas). There are refunds available for sequestration of these fossil fuels.

The revenue generated from this legislation creates the “Build America Trust Fund.” Over ten years, a projected 1.2 trillion dollars would go towards US infrastructure, including highway, transit, aviation, and passenger rail transportation. $70 billion would go towards transition assistance for communities with carbon-dependent economies and those heavily impacted by carbon pollution and climate impacts. For example, revenue goes towards job training in energy-related industries and health and pension benefits. 12.5% of the revenue, or an estimated $900 billion, would go towards an “Energy Refund Program” to provide a monthly dividend for low-income Americans to help with increased energy costs. The bill also funds clean energy and climate-related research and innovation across multiple federal agencies.

The America Wins Act does not preempt state law or undermine existing federal regulatory authority.

OUR PRINCIPLES

FCNL’s carbon pricing principles help us evaluate carbon tax legislation. Here is how The America Wins 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.	This bill seeks to decrease emissions by 52% within ten years. It is designed to lay the groundwork to reach zero emissions by mid-century. 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.	✓
Reporting and Transparency To ensure we reach emissions reductions goals, measuring, reporting, and verifying should take place at both the facility and national level.	There are not annual emissions reductions goals specified in the bill. The fee keeps rising by 6% plus inflation each year. There are more clearly defined duties for the Treasury Secretary when it comes to regulating the “Energy Refund Program” but not for reporting on achieved annual emissions reductions.	?

PRINCIPLE	DOES THE BILL DO THIS?	
Course correction If the set price is not sufficiently driving down emissions, then the price should increase.	The America Wins Act does not have any provisions specifying a type of course correction. Since the bill does not explicitly list annual reduction goals, there is no way to check if the emissions reductions are taking place quickly enough.	X
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.	This bill acknowledges that climate legislation can disproportionately affect low-income, minorities, women, veterans and individuals with disabilities in multiple ways and seeks to address those concerns. Over ten years, $70 billion would go to communities that are reliant on the fossil fuel economy or affected by climate impacts. This includes aid for former workers in carbon-intensive industries and communities particularly affected by carbon pollution, such as communities of color, indigenous people, etc. Vulnerable communities receive financial aid that can help individuals with workforce development, healthcare infrastructure, and education. For example, the bill explicitly allocates $3 billion to the Assistant Secretary for Elementary and Secondary Education to support educational infrastructure in areas that are especially impacted by climate change. Additionally, the bill protects Americans from increased energy costs by allocating $900 billion, or 12.5% of the revenue, to the "Energy Refund Program." This program gives monthly dividend to low-income Americans living at or below 150% of the poverty line to offset high energy costs. The bill specifies that state agencies develop a plan to ensure the dividend reaches homeless individuals, households with disabled members, and other harder to reach populations. The remaining funds would go to middle-class Americans between 151-400% of the poverty line through a Consumer Tax Rebate.	✓
Invest in An Affordable Clean Energy Future Revenue from a carbon tax should also be invested in renewable energy research, development, and efficiency.	Over ten years, $71 billion goes towards safe drinking water and sewer systems. Grants are made available to the EPA for the Clean Water State Revolving Fund, Drinking Water State Revolving Fund, and the Water Infrastructure Finance and Innovation Act of 2014. $4.4 billion is allocated specifically for clean energy, energy efficiency, and carbon capture research. The over $1 trillion directed toward infrastructure will advance a clean energy economy.	✓

WHAT ABOUT THE REGULATIONS?

The America Wins Act does not preempt state law or undermine existing federal regulatory authority.

IN CONCLUSION

This bill is an important model for how revenue can be used to address the impacts on vulnerable communities and other negative effects associated with a carbon tax. However, the bill does not enumerate specific emission reduction goals for each year, nor does it have clear reporting requirements for how quickly emissions are being reduced. With such an ambitious long-term goal of net-zero emissions by 2050, there must be set goals in the short-term. Lastly, the bill solely has Democratic support at this time, and we believe legislation must have bipartisan support to become law. Nonetheless, this bill has impressive goals and makes a significant contribution to the dialogue on pricing carbon.