BILL ANALYSIS

THE RAISE WAGES, CUT CARBON ACT OF 2019 (HR 3966)

On July 25, 2019, Rep. Dan Lipinski (D, IL-03) and Rep. Francis Rooney (R, FL-19) introduced the bipartisan Raise Wages, Cut Carbon Act of 2019.

BILL SUMMARY

The Raise Wages, Cut Carbon Act places a price of $40 per metric ton of carbon dioxide, starting in 2020. The price will increase by 2.5% plus inflation each year. The fee is assessed "upstream," or at the point where coal, petroleum, natural gas, and fluorinated greenhouse gases are extracted/produced.

Revenue goes towards a variety of purposes. Eighty-four percent of the revenue goes to offset payroll taxes. Ten percent goes to social security beneficiaries. Five percent goes towards the Low-Income Home Energy Assistance Program (LIHEAP) and one percent goes towards the Weatherization Assistance Program (WAP).

Under the Raise Wages, Cut Carbon Act, the Environmental Protection Agency (EPA) cannot regulate greenhouse gas emissions from stationary sources (like power plants or refineries) based on their warming effects until 2030. However, the EPA can still regulate these emissions because of adverse health impacts. The EPA can also still regulate greenhouse gas emission under certain exceptions such as wastewater treatment plants, vehicles, and aircraft. Failure to achieve significant reductions by April 2030, and every five years thereafter, ends the regulatory moratorium, and the EPA must regulate emissions to meet the original targets.

OUR PRINCIPLES

FCNL's carbon pricing principles help us evaluate carbon tax legislation. Here is how the Raise Wages, Cut Carbon 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 will slowly increase the price on carbon until the U.S. achieves an emissions level equal to 20% of our 2005 emissions levels. *FCNL is waiting for more analysis of the legislation to determine how quickly the bill would reduce emissions.*	?
Prevent "Leakage" Leakage occurs when GHG producers move their operations to another country without a comparable carbon pricing system.	The bill includes a carbon border fee adjustment to keep the global competitiveness of U.S. manufacturers. Imported fuels and carbon intensive products covered by the bill pay an equalization tariff if the country of origin does not price carbon, and exports receive a refund. 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 reduction goals laid out in the bill text. The fee keeps increasing by 2.5% annually until the Treasury Secretary and EPA Administrator certify that emissions have been reduced to 20% of our 2005 levels, but it's unclear what reporting must happen before then.	?

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245 2ND STREET NE » WASHINGTON. DC 20002 » (800) 630-1330 » **FCNL.ORG**

PRINCIPLE	DOES THE BILL DO THIS?	
Course correction If the set price is not sufficiently driving down emissions, then the price should increase.	The price steadily increases at 2.5%, with no adjustment mechanism. Since annual reduction goals are not explicitly listed in the bill, 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.	The bulk of the revenue is used to reduce the payroll tax, which is a regressive tax. Payroll taxes, used to finance Social Security and Medicare, are paid by both employees and employers. On average, low and middle-income taxpayers pay a higher percentage of their incomes towards the payroll tax than wealthy individuals, according to the Center on Budget & Policy Priorities. While reducing the payroll tax would benefit many lower-income families, it would not benefit the very poorest or those not in the wage economy, who don't pay the tax. We are pleased that revenue is set aside for LIHEAP and WAP, both which are important but currently under-resourced programs to help low-income households reduce energy costs and make their homes more energy efficient. LIHEAP currently serves only 16% of eligible households. The bill's additional revenue would enable half of eligible households to access LIHEAP. Funding for WAP would increase by more than six times what was appropriated in Fiscal Year 2019, from $257 million to almost $1.6 billion. Ultimately, more protections will be needed for vulnerable and low-income communities.	✓
Invest in An Affordable Clean Energy Future Revenue from a carbon tax should also be invested in renewable energy research, development, and efficiency.	The bill does not invest in clean energy research. However, making fossil fuels more expensive will stimulate investment in clean energy innovation and R&D.	✓

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

The Raise Wages, Cut Carbon Act continues to advance the conversation on carbon pricing between both political parties. We are pleased that part of the revenue goes towards programs like LIHEAP and WAP. However, we are concerned about the lack of clear annual emissions reduction targets, which makes it difficult to measure how quickly and effectively the legislation is reducing emissions, or then have the opportunity for a course correction. Overall, we are glad that more bipartisan carbon pricing bills are advancing the conversation in Congress, and look forward to working with legislators to strengthen this and other climate legislation.