



March 20, 2018

Senator Marc R. Pacheco
Chairman, Senate Committee on Global Warming and Climate Change
State House, Room 312-B

**Testimony of Josiah Neeley
Energy Policy Director
R Street Institute**

RE: S.1821-An Act Combatting Climate Change

Dear Chairman Pacheco,

The R Street Institute is a nonprofit, nonpartisan public policy research organization based in Washington, D.C. We strive to promote free markets and effective government policies in many areas, including the pricing of carbon emissions. As the Energy Policy Director at the R Street Institute, my portfolio focuses on infrastructure, wholesale and retail electricity, research and development, fuel choice and diversity and climate adaptation and mitigation. Today I write to you regarding S.1821.

While the R Street Institute favors market-based approaches, we also recognize that climate change poses real risks that warrant governmental response. To that end, we have long advocated a fee on carbon emissions with revenue used to offset cuts to other more economically damaging taxes.

The carbon fee proposed by S.1821 has two key positive features. First, it puts a price on greenhouse gas emissions in an economically efficient way. Economists generally agree that the least costly way to reduce emissions is through an emissions fee. Whereas bureaucratic regulations attempt to limit emissions through mandates or prohibition of specific actions, an emissions fee would give consumers and producers flexibility to respond in the way that is least burdensome. A price on carbon emissions also spurs innovation by creating incentives to find new, less costly ways to reduce emissions.

The second positive feature of the carbon fee proposed by S.1821 is that it is revenue neutral. R Street has maintained that dealing with climate change need not and should not involve an increase in the size of government. As such, any revenue generated by a carbon fee should be returned to the people, rather than be used to fund government programs.

While S.1821 is revenue neutral, there are ways to improve the bill to make it more economically effective. Instead of being used for lump sum payments, revenue generated from the fee would be better used to fund cuts to existing state taxes, thus further reducing or eliminating the overall cost to the economy. This is important because although an emissions fee can achieve a given amount of emissions reduction at a lower cost than direct regulation, it is not without cost. To the extent that an emissions fee is used to offset cuts to more burdensome taxes, the swap can be economically as well as environmentally beneficial.

Thank you for your time and consideration.

Respectfully Submitted,

Josiah Neeley
Energy Policy Director
R Street Institute