



A Carbon Tax Wave? 7 States Considering Carbon Pricing to Fight Climate Change

Democratic election victories raised the odds of climate change policies succeeding, activists and analysts say. A national plan was also just floated in Congress.

By [Marianne Lavelle](#) Nov 29, 2018



Washington Gov. Jay Inslee co-chairs the U.S. Climate Alliance, a coalition of 17 governors committed to reducing greenhouse gas emissions. He is expected to announce a new state carbon pricing plan despite the defeat of a carbon fee ballot initiative this year. Credit: David Ryder/Getty Images

At least seven state governments are poised at the brink of putting a price on climate-warming carbon emissions within the next year. Some are considering new carbon taxes or fees. Others are making plans to join regional carbon markets.

The situation runs counter to the instant analysis of the November election, which focused on a defeat for carbon pricing in Washington state and discounted incremental progress across the board.

Overall, the midterm election results increased their odds for success, say activists and analysts who are watching for the next step in a policy realm where proposals have been many but commitments to act have been weak.

Carbon price proponents are encouraged as Democrats expanded their legislative majorities in key states, and supporters of climate action displaced foes. But advocates are still painfully aware of

remaining obstacles, and some expect a prolonged campaign.

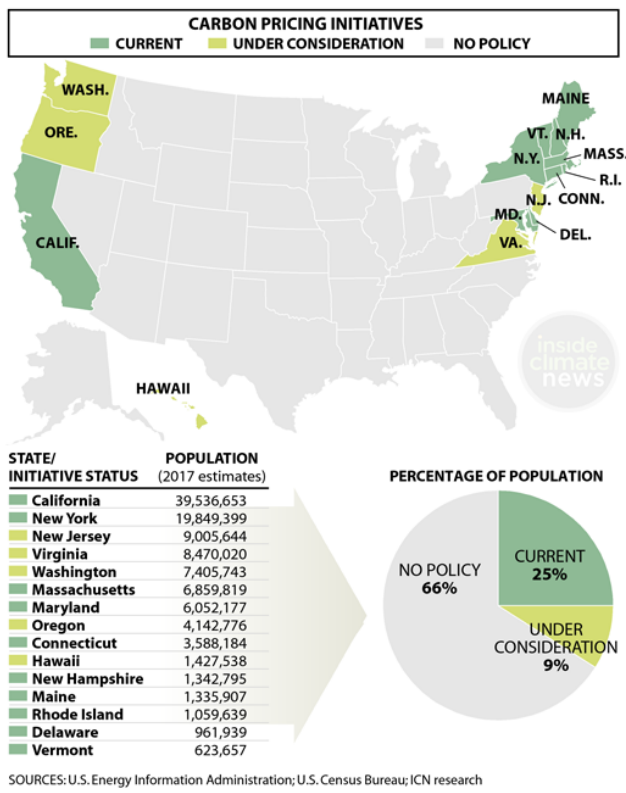
At the federal level, Congress also faces a new carbon pricing proposal, a [bill](#) introduced on Tuesday by a bipartisan group of House members. But in the current political climate—with a president who rejects science and promotes fossil fuels, and a Republican majority in the Senate blocking the path—short term progress may be limited to a select few green-leaning states.

"As more states experiment, we'll get more information, and you expand the market size for cleaner energy that's going to create incentives for more market to sell to," said Marc Hafstead, director of the Carbon Pricing Initiative at Resources for the Future, a think tank [focused on environmental economics](#). "There's a fundamental issue, though, in that the states that are ready to move don't represent a lot of the emissions in the U.S. I think, at the end of the day, federal action is going to be required."



Carbon Pricing in the States

At least seven states are considering carbon pricing initiatives that have a chance of passage within the next year—five of them for the first time. If the measures advance, 15 states that are home to more than a third of the U.S. population would have some sort of surcharge on fossil fuels.



PAUL HORN / InsideClimate News

All of the states that are now considering a price on carbon share two common traits.

As Hafstead noted, they have relatively low-carbon economies. Adding the states considering new carbon prices to those that already have some sort of carbon pricing—California with its pathbreaking cap-and-trade regime and the northeastern states via the Regional Greenhouse Gas Initiative (RGGI)—15 states, most of them among the least carbon-intensive in the nation, will have adopted fossil fuel surcharges of some kind. Together, they would account for 22 percent of U.S. carbon emissions, 34 percent of the U.S. population, and 41 percent of U.S. GDP.

They also face clear, pressing economic and human risks from climate change. On the West Coast, ocean warming and acidification is damaging the fishing industry and wildfires have menaced whole towns on the heels of drought. In the Northeast, storms and coastal flooding are wreaking havoc and raising costs as the seas relentlessly rise.

If More States Act, Congress May Step Up

Economists have long argued that the most effective way to reduce greenhouse gas emissions is to put a price on fossil fuels. It drives innovation across the board, from conservation to new, green technology, and rewards the lowest-cost approach.

Policymakers often call the states laboratories of inventive policy, especially with federal action on the back burner.

"Anything that's working to reduce emissions is helpful when the [Intergovernmental Panel on Climate Change] says we don't have a ton of time," said Mark Reynolds, executive director of the Citizens Climate Lobby, a carbon pricing advocacy group. "But in addition, it's always been our belief that the real potential benefit is that Congress sees that multiple states are acting and business starts saying, 'We can't function under 10 or 20 sets of rules.'"

That's why carbon pricing advocates in Congress are getting positioned to take advantage of any momentum. Rep. Ted Deutch (D-Fla.), cofounder of the Climate Solutions Caucus, introduced a fee-and-dividend bill on Tuesday with two other Democrats and two Republican members of the caucus—Reps. Brian Fitzpatrick of Pennsylvania and Francis Rooney of Florida. Their Energy Innovation and Carbon Dividend Act of 2018, with an escalating fee on carbon emissions starting at \$15 per ton with all revenue returned to households, has little chance of making it to the floor while the GOP still controls the House this year.

But the sponsors wanted to move quickly. "We thought it was important to introduce this now to show that as we prepare to head into a more bipartisan Congress that there is a bipartisan way forward on this issue," Deutch said. "It's the only way we can get anything done."

Here is a rundown of state carbon pricing initiatives currently in motion:

Oregon

The midterm election significantly boosted the prospects for a "cap-and-invest" program, which Gov. Kate Brown and Oregon's House and Senate leaders—all Democrats—have agreed is a top priority for the 2019 legislative session.



Not only did Brown win reelection, but Democrats also expanded control of the state legislature to a supermajority in each chamber—the three-fifths of seats required to raise taxes under the state's constitution. The legislature's [Joint Interim Committee on Carbon Reduction](#) has met six times since May to hear from experts and key stakeholders, like the state's forestry industry.



Oregon Gov. Kate Brown and state House and Senate leaders have flagged a carbon cap-and-invest program as a priority. Credit: Oregon Department of Transportation

Another election result added to the momentum in Oregon: 65 percent of voters in the state's largest city, Portland, approved a ballot initiative to raise \$30 million a year through a tax on large businesses to help support the city's goal to achieve to 100 percent renewable energy by 2050.

"Oregonians know we need leadership to turbocharge our clean energy economy and reduce climate pollution in our state," said Tera Hurst, executive director of Renew Oregon.

Washington

In Washington state, legislative action on climate change remains a possibility, despite the rejection of a carbon fee by [57 percent](#) of the state's voters in a ballot initiative—the second defeat for fossil fuel pricing in the state in two years.

Gov. Jay Inslee, a Democrat who co-chairs the U.S. Climate Alliance, a bipartisan [coalition of 17 governors](#) committed to reducing greenhouse gas emissions in line with the goals of the Paris agreement, has long called for a state carbon tax. Inslee's office said that the governor will make an

announcement in early December on next steps in the wake of defeat of the ballot initiative he supported.

"Combating climate change remains a high priority for the Gov. Inslee," said Sharlett Mena, deputy director of the governor's Washington, D.C., office. "He and our team are in ongoing discussions about what his proposal for the upcoming state legislative session will look like."

Inslee had pushed for a carbon tax in the legislature last spring, but he dropped his proposal when, he said at the time, it fell "[one or two votes shy](#)" of the support he needed. His position may be stronger now since Democrats, who already held the majority in both chambers in Olympia, gained two Senate seats and six in the House in the midterms.

The shape of the new legislature is giving proponents hope for action despite the defeat of Initiative 1631, the carbon fee proposal, which would have put the revenue into clean energy and community and worker assistance. It fell under the weight of overwhelming spending on opposition advertising, mostly from fossil fuel interests.

"We are all recovering from a hard outcome with I-1631," Vlad Gutman-Britten, Washington director of the advocacy group Climate Solutions, wrote in a blog post. But he said carbon pricing opponents have new opportunities for action in the legislature. "I'm not sure we've ever had such an enthusiastic class of newly-minted leaders, including Democrats and Republicans across the state that are replacing retiring incumbents, as well as those filling ... positions that are changing party hands."

But others argue that Democratic lawmakers, with under 60 percent of the seats in both chambers, may be wary of revisiting carbon pricing so soon.

"The voters in Washington state just went through a hard-fought ballot initiative on the carbon tax," said Scott Segal, partner with the law and lobbying firm Bracewell LLP, which represents energy industry clients. "The two houses of the Washington State Legislature are fairly evenly divided, and the November election results are a very recent and very conclusive taking of the electorate's temperature on carbon taxes. If I were in the legislature, I'd be a little nervous about trying to overturn a statewide vote so recently taken."



Some analysts argue that carbon pricing is a policy better suited to the legislative process than to a ballot verdict by citizens.

"You really need to legislate a policy that's this complicated, and have a process that allows for changes to be made," said Hafstead. "The thing with a ballot initiative—the policy is kind of locked in place. You don't have the give and take."

Massachusetts

Massachusetts is already a RGGI member, but activists and some lawmakers have been pushing for more.

Climate campaigners fought to change the face of the Massachusetts legislature this year after House lawmakers backpedaled on a revenue-neutral carbon tax that the Senate had unanimously passed.

The Sierra Club and other environmental groups [launched a campaign](#) to defeat the party leaders they blamed for capitulating to fossil fuel interests. Two veteran Democratic House members—Jeffrey Sanchez, the chairman of the House Ways and Means Committee, and Byron Rushing, the assistant majority leader—were ousted in the primary.

They fell to lawyer and activist Nika Elugardo and emergency room physician Jon Santiago, who made climate change key parts of their platforms. Both political novices, they won the general election. And two Republican House seats also flipped in upset victories by Sierra Club-endorsed Democrats: lawyers and activists Tram Nguyen and Becca Rausch, also electoral newcomers.

Massachusetts still has a divided government, with Republican Gov. Charlie Baker, who won reelection, saying he prefers to continue to work to reduce greenhouse gases within the RGGI nine-state compact. (A cap-and-trade system, it puts a price only on electric utility emissions.) Environmental groups argue that while RGGI has been successful, it is not cutting emissions fast enough. If Democrats choose to expand carbon pricing, they hold the two-thirds of votes necessary in both the House and Senate to override a veto.

New York

The governing board of the independent electric grid operator in New York, also a RGGI state, expects to

vote next year on [a proposal](#) to use its authority to incorporate the social costs of carbon—a measure of the future damages from pollution expressed in today's dollars—into the state's wholesale electricity market.

ClearView Energy Partners, a Washington-based research firm that advises investors, said it has "high expectations" that some sort of carbon pricing will be implemented in New York by 2021.

ClearView has been tracking for its clients what it calls a "second wave" of greenhouse gas pricing initiatives. (RGGI and California's programs marked the "first wave.") Although ClearView sees little sign that carbon pricing is moving beyond the states that have relatively low-carbon economies, it has told its clients that increased ambition in states like New York and Massachusetts could mark "an inflection point towards a nation of bottom-up carbon prices in the absence of a top-down, federal program."

Officials of the New York Independent System Operator have said [they will abandon the effort if](#) a carbon price proves significantly more expensive to consumers than current state policies. But so far, studies the NYISO has commissioned have shown a carbon pricing approach in the wholesale market could result in lower costs for consumers instead.

New Jersey and Virginia

Regulators are moving forward in both New Jersey and Virginia for the states to join RGGI, following the directives of Democratic governors elected in 2017.

For New Jersey, it would be a return to the regional carbon market. One [analysis](#) released earlier this year found that the state forfeited tens of millions of dollars in revenue because of Republican Gov. Chris Christie's decision to exit RGGI in 2011—two years after New Jersey helped found the initiative.

Under Democratic Gov. Phil Murphy's directive, the state's Department of Environmental Protection is expected to finalize its proposed cap on carbon emissions by the end of this year, with an eye to approving it in the spring.

Virginia's air pollution control board approved the [regulations](#) to implement RGGI for public comment on Oct. 29. The Virginia Department of Environmental Quality is expected to have a public



comment period early next year with the rules to be finalized in the spring.

Hawaii

Hawaii's Climate Change Mitigation and Adaptation Commission, established by the state legislature last year to come up with a greenhouse gas reduction plan, met this week and [recommended](#) that lawmakers enact carbon pricing.

"The Commission believes that putting a price on carbon is the most effective single action that will achieve Hawaii's ambitious and necessary emissions reduction goals," a release from the commission said. It didn't outline a specific mechanism, but it focused on transportation emissions and said carbon pricing must be both equitable and adequate to change behavior.



Hawaii has a goal of getting 100 percent of its power from renewable energy by 2045. Credit: John S. Lander/LightRocket via Getty Images

Democrats maintained their overwhelming majorities in the Hawaii House and Senate in the midterm elections, and legislative leaders are united with Hawaii Gov. David Ige in favoring strong climate action.

In June, Ige signed into law a bill making Hawaii the first state in the country to legally commit to a zero-emissions, carbon-neutral economy by 2045. That would build on the pioneering step Hawaii took in 2015 as the first state to set a deadline (also 2045) for generating 100 percent of its power from renewable sources.

Renewable energy has been growing rapidly in Hawaii, now accounting for more than [15 percent of](#)

[power generated](#) in the state. Hawaii has an economic impetus to move to clean energy—it long has been the state with the highest electricity prices because of its heavy dependence on imported petroleum (and some coal) to power its isolated island electricity grids.

Other States and Washington, D.C.

The list is not exhaustive. Lawmakers from nine states have joined in a [Carbon Costs Coalition](#) to work together on ideas for design of pricing proposals. The election increased the odds for action in several of those states, including in **Vermont**, where Democrats built a strong enough majority in the state House to override a veto. That could give climate advocates leverage over Gov. Phil Scott, a Republican who has resisted calls for a carbon pricing study. But even Democrats are divided on what course to follow, and for now the pending study is all they have pushed through.

In **Pennsylvania**, a coalition of more than 60 environmental, health and religious groups, businesses and communities were set to file a petition Wednesday asking the state's environmental regulators to create an economy-wide greenhouse gas cap-and-trade program. The proposal is based on California's program to rein in emissions, but it takes advantage of a quirk in Pennsylvania law—an environmental rights amendment that was adopted in the state's constitution in the 1970s. The state Supreme Court has recently interpreted that provision broadly to control certain fracking activities in Pennsylvania, which has become the No. 3 state behind California and Texas in production of carbon emissions due to the natural gas boom.

"This is the right time and the right place" for the carbon pricing proposal, said Joe Minott, executive director of the Philadelphia-based Clean Air Council.

Also, the city council of the **District of Columbia** on Tuesday voted to commit the nation's capital to 100 percent clean energy by 2032. The council included a provision authorizing carbon pricing of transportation emissions if similar policy is adopted in the two states where most of its commuters reside: Maryland and Virginia.

Carbon Pricing Is Politically Tricky

Piecing together a carbon pricing policy state-by-state is not an easy undertaking, even in blue states.



Charles Komanoff, an energy policy analyst who directs the Carbon Tax Center in New York and has long pushed for state carbon pricing, said he has come to believe that it is "inherently tricky" politically. The ballot initiative that Washington voters rejected, for instance, would have exempted from the carbon fee a number of "energy-intensive trade-exposed" industries, like aluminum, because of the risk they would simply move to another state instead of cutting emissions. Opponents of the ballot initiative seized on the exemptions to argue it was unfair to businesses that weren't able to cut such deals.

"The idea of being the first state, and how neighboring states might capture an advantage, and how do you handle fuel imports and trade—it feels more complex to do it in one state than in an entire country," said Komanoff. "Maybe we're back to the long game of Washington, D.C., and basically overwhelming the Republican Party in the next one or two election cycles. In a way, that's like going back to 2008 or 2009, which is depressing, considering we've lost a decade or more which we couldn't afford."

George Frampton, co-founder of the Partnership for Responsible Growth, a nonprofit bipartisan coalition working to build support for carbon pricing, believes climate action advocates have more work to do in educating the public on why putting a price on carbon makes sense for households and the economy, as well as for the planet.

"People are beginning to realize if we are going to have a meaningful national climate policy it is going to have to be some kind of carbon fee," said Frampton, a former Clinton administration wildlife official and longtime conservation leader. "It's the only thing that has a chance of getting bipartisan support, it is economically positive, and it produces huge amounts of revenue."

"The question is how can we educate people to see that there are ways of doing this that are deserving of very broad support?"

Editor's Note: This story was corrected to add Maine to the list of RGGI states.

About the Author



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