Testimony on Senate Bill 1064 (an act establishing a carbon price for fossil fuels sold in Connecticut)

Submitted by Scott Shepard, Policy Director

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Good afternoon. My name is Scott Shepard. I am the Policy & Research Director for the Yankee Institute for Public Policy, Connecticut's free-market think tank. I submit this note in opposition to **Senate Bill 1064**.

A tax on a thing results in less of that thing. That's the fundamental premise behind a carbon (i.e., a pollution) tax. There is therefore, at an abstract level, something to be said for a carbon tax that *replaces* taxes on savings on work and investment. There would still be objections to raise such a tax, especially if the tax were introduced by and for the state of Connecticut. One of the key objections would be this: Connecticut constitutes only about 1 percent of the population of the United States, and much less of its total land mass. Our state thus represents .0005 percent of the world population. In other words, there's nothing much that the state of Connecticut, acting alone, can do about the world's carbon output.

Another fundamental objection is that throughout the 20th and 21st centuries, the best reducer of pollution and the best increaser of energy efficiency and limiter of carbon emissions has been *prosperity*. The richer a country is and the more highly developed its technology, the more likely it is to invest in conservation and environmental-protection measures, and in cleaner technologies and processes.[1] One recent illustration of this fact is that Americans have also been

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[1] In slightly more detail, what the history and scholarship illustrate is that societies tend to follow a U-shaped curve, called "the environmental Kuznets curve," which describes this progression:

> At low levels of development, both the quantity and the intensity of environmental degradation are limited to the impacts of subsistence economic activity on the resource base and to limited quantities of biodegradable wastes. As agriculture and resource extraction intensify and industrialization takes off, both resource depletion and waste generation accelerate. At higher levels of development, structural change towards information-based industries and services, more efficient technologies, and increased demand for environmental quality result in leveling-off and a steady decline in environmental degradation.

Theodore Panayoutou, *Economic Growth and the Environment,* ECONOMIC SURVEY OF EUROPE 2003, No. 2 45-46 (2003), *available at* http://www.unece.org/fileadmin/DAM/ead/sem/sem2003/papers/panayotou.pdf. *See also id*. (showing consensus that U.S. and western nations are moving up right leg of U-curve); Jesse H. Ausubel & Paul E. Waggoner, *Dematerialization: Variety, Caution, and Persistence,* 105 PROC. OF THE NAT'L ACAD. OF decreasing our carbon footprint faster than any other people in the world. This is not because of our participation in paper agreements such as Kyoto and Paris that brought few real improvements worldwide and which the United States abjured. Rather, it is because we have invested in new and innovative natural-gas retrieval technologies that have allowed much of the country to shift from higher- to lower-carbon energy use.[2]

There is thus an exceptionally strong argument to be made that the best thing for the environment is to get out of the way of the economy, or at least only to pass environmental taxation or regulations that will have only small negative drags on the economy. At very least, though, it counsels against any statutory or regulatory regime, however well intended, that will have a significant drag on the economy for only a notional or relatively small overall environmental benefit.

Which brings us to the very concrete and specific objections to this bill. If everything in the governor's budget that will have the effect of a tax were counted as a tax, that budget – when fully implemented – would raise taxes by *more than $2 billion per year*,[3] making it one of the largest tax increases in Connecticut history. It would add to the ever-lengthening train of successive, massive tax increases that has ground this state's once world-beating economy into, by most standards, worst or nearly worst performer in the country over the past decade.

That's just the governor's budget. Members and committees across the General Assembly have introduced and advanced bill after bill that would raise taxes further and further, burdening taxpayers – particularly suburban, middle-class taxpayers and the working poor – more and more. Some, like this bill, have mechanisms for permanent, automatic increases without any legislative input or responsibility.

It will be argued that this bill is different from some of the other tax increases that have been proposed because these revenues will not go to the general fund, but instead to a special fund for green jobs and environmental initiatives. That will hardly matter to the overburdened families and businesses of Connecticut. We are already, by some measures, the second highest-taxed state in the Union. Were the governor's bill to pass as proposed, we would bid fair to leap to most-taxed status, with no possible excuses for such rapacity. Whatever is done with the revenues from a carbon tax, it will still affect most taxpayers the same way. And because the uses to which this revenue will be put seem designed to include subsidizing the competitors of some taxed entities, this structure would for some taxpayers be worse than just another tax raid for the benefit of the general fund.

THE SCI. OF THE U.S., 12,744, 12,779 (2008), *available at* http://www.pnas.org/content/105/35/12774.full.pdf+html (same).

[2] Robert Rapier, *Yes, The U.S. Leads All Countries in Reducing Carbon Emissions*, FORBES (Oct. 24, 2017), *available at* https://www.forbes.com/sites/rrapier/2017/10/24/yes-the-u-s-leads-all-countries-in-reducing-carbon-emissions/#6c2bb4803535.

[3] Suzanne Bates, *The Actual Cost of Gov. Lamont's Tax Increases: $2.4 Billion Per Year*, YANKEEINSTITUTE.ORG (Mar. 12, 2019), *available at* https://yankeeinstitute.org/2019/03/12/policy-corner-the-actual-cost-of-gov-lamonts-tax-increases-2-4-billion-per-year/.

Because Connecticut cannot bear any additional general levies, especially for a purpose as quixotic as .0005 of the world's population effecting – even in semi-concert with its neighbors – the overall level of world carbon emissions in a material way, Yankee Institute opposes this proposal.