



January 12, 2017

Selectman Warren Doty
401 Middle Rd
Chilmark, MA 02535

Dear Selectman Doty,

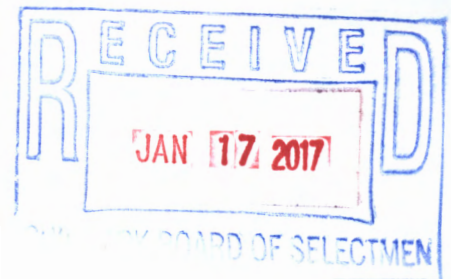
I'm writing to draw your attention to carbon tax legislation under consideration in the state legislature.

The measure, S1747, sponsored by Senator Michael Barrett of the Third Middlesex district, claims to be "revenue neutral." It is not. S1747 would drive up costs on gas, electricity, and home heating oil. Municipal budgets as well as individual citizens will feel its effects.

Last year, your Senator Daniel A. Wolf cosponsored this same legislation. We urge you to let him know you do not support a new, broad tax on energy. We have included a copy of our testimony against this bill for your reference. If you have any questions, please call me at (617) 797-2540 or email at paul@massfiscal.org with any questions. Thank you.

Sincerely,

Paul Craney
Executive Director
Massachusetts Fiscal Alliance





S1747 An Act Combating Climate Change

Paul D. Craney
Executive Director
Massachusetts Fiscal Alliance
18 Tremont St. #707, Boston, MA 02108

Joint Committee on Telecommunications, Utility and Energy
October 27, 2015

I am submitting this in opposition to S1747, An Act Combating Climate Change. What this bill presents to do, is impose a “revenue neutral” carbon tax. There are many reasons for being opposed to this bill and I hope you will consider the following concerns.

To first address the point of the bill, reducing carbon dioxide emissions, in which the purpose of doing this would be to prevent the greater outcome of climate change, or the slow progressive warming of the earth’s atmosphere. From a big picture, it is a good idea to measure if the labors of our efforts are worth the fruits. This policy to reduce carbon emissions addresses emissions in the small state of Massachusetts with a population of just over 6.7 million people. We don’t know what the fruit of our labor, or the reduction in global warming will be yet, but let’s put this into perspective. Recently, President Obama announced a large-scale “Clean Power Plan” that pushes for a 28% emissions reduction by 2025. This national plan, affecting the roughly 319 million people in the U.S. is said to prevent just 0.02 degrees Celsius in warming by 2100.ⁱ In fact, if you were to eliminate all carbon emissions that MA produces, that would only result in a 0.002-degree Celsius reduction in temperature by the year 2100.ⁱⁱ I urge you to imagine how much less of an affect any policy on a statewide level would have in the grand scheme of things. To compare apples to apples, the CBO put out a study on the implementation of a Carbon Tax on the national level and concluded “The tax would help reduce U.S. emissions but would have only a modest effect on the Earth’s climate without a worldwide effort.”ⁱⁱⁱ Time and again, Secretary Clinton has said that it is important to get the most heavily populated countries like India and China on board to reduce their emissions because “there is no sense in negotiating an agreement if it will have no practical impact in reducing emissions to safer levels.”^{iv} Once again, imagine how much more insignificant implementing this tax on the small state of MA would be, never mind the extra layers of headache that will result from it for the average person and government agencies alike.

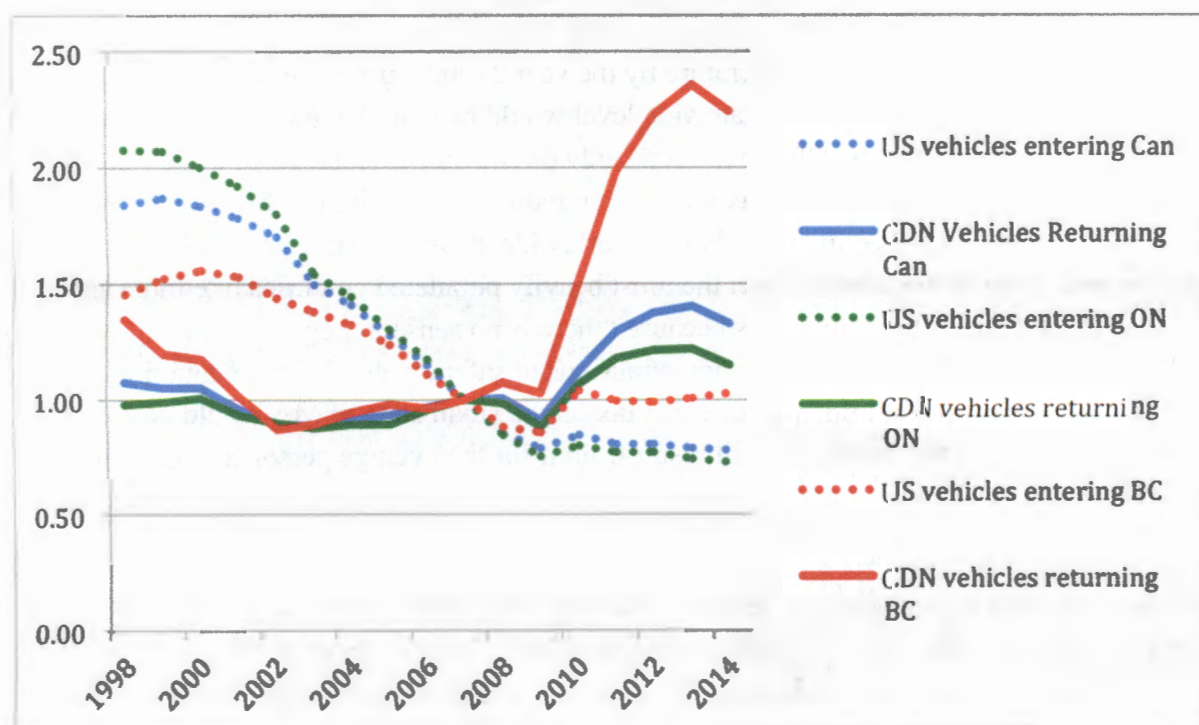
As I am sure you will repeatedly hear, British Columbia (BC) is the leading example of a revenue neutral carbon tax since its implementation in 2008. Looking beyond the glowing reviews however, there are some points that shouldn’t be overlooked on different parts of this

bill. Firstly, since carbon emissions from vehicles account for a majority of all emissions, the effect this tax will have on gas alone is a large one.

In BC, studies have shown that their carbon tax on gas is five times more potent in decreasing gas usage than a normal market driven gas hike.^v They speculate that the typically green-minded individuals who want to use less gas feel like the playing field is more level and that by using less gas, others can't freeloader and use more due to their sacrifice. This results in the green-minded people carrying out their goal of using less gas with the implementation of the field-leveling carbon tax. However, what was once a reasoning on the individual basis, could now be applied to a city, state or province as a whole. For example, if just one state in the U.S. cuts back its usage of gasoline, this lowers the world price and allows every other driver on Earth to get slightly cheaper gas.^{vi} Even this theory however, was short lived. Findings that declines in gas usage leveled off after the last increase in the carbon tax in 2012 were soon found.^{vii}

Another way to refute the lower gas usage in BC is a simple one: people were buying gas elsewhere. The studies don't capture consumption of gas, but rather the sale of gas in BC. Since buying cheaper goods in other states isn't a new theory for MA residence, why shouldn't we assume that people will go to other surrounding New England states to fill up their gas tanks? For those who think this theory is unrealistic, see the following chart which shows vehicle border crossing between BC and the southern bordering U.S., specifically focusing on 2008 levels when BC carbon tax was implemented.

Figure 1. Annual Vehicle Border Crossings, U.S. vs. Select Canadian Regions, Index 100 = 2007



Source: Statistics Canada, [Table 427-0002](#).

Further, proponents of the carbon tax like to say that the economy had remained largely untouched by the implementation of this tax in BC. This however, is when they compare BC to the rest of Canada, and doesn't take into consideration the fact that BC was actually doing better than Canada as a whole before the implementation of this tax. If you look at the unemployment rate five years before the implementation of the carbon tax in BC, it was at 5.6% and the Canadian average was at 6.6%. Take those numbers and compare them with five years after the implementation of the tax where BC unemployment rate was at 7.1% compared to Canada's 7.6%.^{viii} This shows that the labor market advantage that BC once had was cut in half after the implementation of this tax. The economic effects that such a tax could have on MA would be disastrous.

Finally, since our state and nation as a whole does rely mostly on fossil fuels, if you tax them, things are going to cost more, despite the promised rebate. The price of gas, electricity and home heating are going to go up as a result. You can also assume that companies that are the largest emissions producers, who are the ones that are supposed to feel the biggest hit, will pass along the burden to the average consumer through higher costs on consumer goods, and will cut corners on quality. In the end the average person will take the biggest hit with the implementation of this tax. In turn, I hope you will consider taking a deeper look into the consequences of this legislation.

ⁱ <http://www.cato.org/blog/002degc-temperature-rise-averted-vital-number-missing-epas-numbers-fact-sheet>

ⁱⁱ http://scienceandpublicpolicy.org/images/stories/papers/originals/state_by_state.pdf

ⁱⁱⁱ <https://www.cbo.gov/publication/44223>

^{iv} http://www.nbcnews.com/id/30440785/ns/us_news-environment/t/clinton-china-india-must-join-climate-action/#.VikRFSvYFyg

^v <https://socialsciences.uottawa.ca/sites/default/files/public/eco/eng/documents/1211e.pdf>

^{vi} <http://instituteenergyresearch.org/analysis/british-columbias-carbon-tax-and-leakage-into-the-u-s/>

^{vii} <http://instituteenergyresearch.org/analysis/british-columbias-carbon-tax-and-leakage-into-the-u-s/>

^{viii} Unemployment data from Statistics Canada, Table 282-0087. The averages are based on the monthly data, i.e. July 2003 through July 2008, and July 2008 through July 2013.