Resolution No. ________
Lee County Legislative Delegation, Florida

Resolution urging the United States Congress to enact the Energy Innovation and Carbon Dividend Act of 2019

WHEREAS, Southwest Florida is one of the most vulnerable areas in the country to climate change impacts, with global warming increasing sea levels and surface temperatures and thereby driving development of heavy rains, flooding, and pollution runoff; and

WHEREAS, an Intergovernmental Panel on Climate Change issued a special report on the impacts of global warming of 1.5 °C above pre-industrial levels in October 2018 warning that global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate.

WHEREAS, the United Nations climate science body said in a monumental climate report that we have only 12 years left to make massive and unprecedented changes to global energy infrastructure to limit global warming to moderate levels; and

WHEREAS, the United States government released its Fourth Annual Climate Assessment in November 2018 reporting that the impacts of climate change are already being felt in communities across the country, and that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems, and social systems that provide essential benefits to communities; and

WHEREAS, conservative estimates by the world's climate scientists state that to achieve climate stabilization and avoid cataclysmic climate change, emissions of greenhouse gases (GHGs) must be brought to 80-95% below 1990 levels by 2050; and

WHEREAS, presently the environmental, health, and social costs of carbon emissions are not included in prices paid for fossil fuels, but rather these externalized costs are borne directly and indirectly by all Americans and global citizens; and

WHEREAS, to begin to correct this market failure, Congress can enact the Energy Innovation and Carbon Dividend Act to assess a national carbon fee on fossil fuels based on the amount of $C0_2$ the fuel will emit when burned and allocate the collected proceeds to all U.S. Households in equal shares in the form of a monthly dividend; and

WHEREAS, for efficient administration, the fossil fuels fee can be applied once, as far upstream in the economy as practical, or at the port of entry into the United States; and

WHEREAS, as stated in the **Energy Innovation and Carbon Dividend Act of 2019, H.R. 763**, a national, revenue-neutral carbon fee starting at a relatively low rate of $15 per ton of CO2 equivalent emissions and resulting in equal charges per ton of CO2 equivalent emissions potential in each type of fuel or greenhouse gas should be assessed to begin to lower what are now dangerously high CO2 emissions. The yearly increase in carbon fees including other greenhouse gases, shall be at least $10 per ton of CO2 equivalent each year, with the Department of Energy determining whether an increase larger than $10 per ton per year is needed to achieve program goals; and

WHEREAS, the **Energy Innovation and Carbon Dividend Act of 2019, H.R. 763**, specifies that, in order to protect low and middle income citizens from the economic impact of rising prices due to the carbon fee, equal monthly per-person dividend payments shall be made to all American households (½ payment per child under 19 years old) each month from the fossil fuel fees collected. The total value of all monthly dividend payments shall represent 100% of the net carbon fees collected per month; and

WHEREAS, the **Energy Innovation and Carbon Dividend Act of 2019, H.R. 763,** encourages market-driven innovation of clean energy technologies and market efficiencies which will reduce harmful pollution and leave a healthier, more stable, and more prosperous nation for future generations; and

WHEREAS, the **Energy Innovation and Carbon Dividend Act of 2019, H.R. 763,** will, after 12 years, lead to a decrease in America's C02 emissions of 40 percent and an increase in national employment of 2.1 million jobs; and

WHEREAS, border adjustments - carbon content-based tariffs on products imported from countries without comparable carbon pricing, and refunds to our exporters of carbon fees paid - can maintain the competitiveness of U.S. businesses in global markets; and

WHEREAS, a national carbon fee can be implemented quickly and efficiently, and will respond to the urgency of the climate crisis because the federal government already has in place mechanisms, such as the Internal Revenue Service, needed to implement and enforce the fee, and already collects fees from fossil fuel producers and importers; and

WHEREAS, A national revenue-neutral carbon fee would make the United States a leader in mitigating climate change and in the clean energy technologies of the 21st century and would provide incentive to other countries to enact similar carbon fees, reducing global C02 emissions without the need for complex international agreements, and

NOW, THEREFORE, BE IT:

RESOLVED, that the Lee County Legislative Delegation urges the United States Congress to enact without delay the **Energy Innovation and Carbon Dividend Act of 2019, H.R. 763,** and

BE IT FURTHER RESOLVED, that the Delegation, no later than 30 days after passage of this Resolution, shall transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, and to each U.S. Senator and Representative from Florida in the Congress of the United States.

PASSED AND ADOPTED as a resolution of the Lee County, Florida Legislative Delegation on ___________, 2019.

Energy Innovation and Carbon Dividend Act
Section-by-Section Guide to EICDA

<u>Section 1: Short Title</u>
Establishes title as "The Energy Innovation and Carbon Dividend Act of 2019"

<u>Section 2: Findings</u> (pg. 2)
Establishes the context and underlying economic premise of this policy:

- Efficient markets strengthen our economy by encouraging competition & innovation.
- Markets are most efficient when prices reflect all costs, including externalities.
- Pollution costs are externalities which burden all Americans and future generations.
- Carbon Dividends will improve market efficiency, drive innovation, and create jobs.

<u>Section 3: Carbon Dividends and Carbon Fee - Key Components</u> (pg. 3-29)
This section a) creates carbon emissions reduction targets for this policy and b) establishes a gradually-rising carbon fee based on the carbon content of fuels, and c) provides for establishment of Carbon Equalization Tariff on import and export of carbon intensive goods.

This section amends the Tax Code (Title 26) by adding the following subsections:

Subtitle L - "Carbon Dividends and Carbon Fee"

Sec. 9901 - **Definitions - Establishes additional defined terms.**

Sec. 9902 - **Establishes a Carbon Fee as follows:**

(a) Levies fee on certain covered fuels
(b) How the carbon fee is calculated
(c) Specifies starting fee and annual increases, (indexed to CPI) as follows
- Year 1: \$15 per metric ton of CO_2-equivalent (CO_2-e)
- Fee increases \$10 per ton each year (\$15 if emission targets not met)
- Fee stops increasing when emissions reach 10% of 2016 levels

(d) Exemption and refund of fee for fuels not combusted (e.g. oil used in plastics)
(f) Exemption for Military and Agriculture. Fuels for military and farm use are exempted via refund. GHGs incidental to agriculture operations but not caused by fossil fuel combustion are not subject to fee (i.e. bovine methane, rice paddy methane, etc.)

Sec. 9903 - **Emissions Reduction Schedule**
Establishes annual targets for emission reduction for each year from 2025 through 2050. Defines reference year as 2016. Defines source metric.

Sec. 9904 - Fee is Also Levied on Fluorinated Greenhouse Gases

A fee is also levied on the GHG potential of certain fluorinated gases at 10% of carbon fee rate.

Sec. 9905 - Sunset Clause

Decommissions the program when emissions reach 10% of 2016 level and when Carbon Dividend drops below $20 per month for 3 consecutive years.

Sec. 9906 - Carbon Capture and Sequestration

Provides a refund of Carbon Fee paid when qualified carbon dioxide is captured and sequestered in a safe and permanent manner. Requires establishment of sound criteria for safe and permanent sequestration. Only CO2 from covered fuels, and only rebate for amount likely to remain sequestered.

Sec. 9907 - Administrative Authority

Grants rulemaking authority to Secretary and Administrator to enact the provisions of this program. Ensures no covered fuel assessed duplicative fees.

Sec. 9908 - **Carbon Border Fee Adjustment (pg. 19 - 29)**

Provides adjustment to equalize embedded carbon fee upon import and export.

- Imports: pay difference between U.S. Fee and country of origin carried price for both fuels and carbon intensive goods
- Exports: both fuels and carbon intensive goods are refunded fees paid less cost of carbon to be levied by jurisdiction of import
- Special attention to compliance with WTO
- Considers full fuel cycle GHGs to ensure symmetric pricing
- Only foreign prices (fees, taxes, caps) considered; not foreign regulations

Sec. 9909 - **Administration of The Carbon Border Fee Adjustment**

This section describes the methodology to be used by Treasury Secretary for administering the carbon border fee adjustment. Provides measures for compliance with WTO rules and international treaties.

- Shipments of covered fuels and carbon intensive goods from the United States to
  the non-contiguous territories shall be eligible for a refund of carbon fees paid.
- Imports of covered fuels and carbon intensive goods to the non-contiguous territories shall not be subject to the carbon border fee adjustment.
- Ensures no double-payment

- Instructs to rely on best available methodology for interpolating data gaps
- Petition to secretary to revise tariff assessed.

Sec. 9910 - **Allocation of Carbon Border Fee Revenues**

Revenue from Carbon Border Fee may be directed towards administrative expenses. Directions provided to Secretary of State to pursue treaty formation regarding equivalent border pricing and provides for suspension of the carbon border fee adjustment when such treaties are agreed.

<u>Section 4: Carbon Dividend Trust Fund</u> (pg. 30- 34)

This section establishes the Carbon Dividend Trust Fund to hold all revenue from the Carbon Fee. Establishes a Carbon Dividends rebate system to distribute all money in the Trust Fund. Establishes maximum limits for administration expenses.

This section further amends the Tax Code by adding the following subsection:

Sec. 9512 - **Carbon Dividend Trust Fund**

(A) Establishes the Carbon Dividend Trust Fund
(B) Appropriates 100% of net fees to the Trust Fund
(C) Allows Expenditures as follows:
(1) Admin costs of Trust Fund not to exceed 2% after fifth year (8% yrs 1-5)
(2) Admin costs of Agencies- not to exceed 0.60%
(3) Carbon Dividend Payments
a) Secretary shall distribute remaining funds to eligible individuals
b) Pro Rata Adults 1 share, Children half share
c) Eligible Individuals - residents with SS Number or TIN
d) Dividend included in gross income
e) Dividend not included in means testing for federal or federal assisted programs
f) Advanced Payment at start of program, recouped from future payments
(D) Grants Secretary the authority to implement and administer Trust Fund

<u>Section 5: Limited Disclosure of Individual Information</u> (Pg. 34-35)

Allows Treasury Department and Social Security Administration to share individual identity information for the purpose of paying Carbon Dividends under this policy.

<u>Section 6: National Academy of Sciences Review of Efficiency and Efficacy</u> (Pg. 35-37)

By the tenth year of the program, NAS shall study and report findings on the efficiency and effectiveness of the Act in achieving emission reduction targets in the various sectors of the economy. NAS shall make non-binding recommendations to Congress based on its findings.

<u>Section 7: Impact of Carbon Fee on Biomass Use, Carbon Sinks, Biodiversity</u> (Pg. 37-39)
The National Academy of Sciences shall study and report findings on whether or not this policy could adversely affect net greenhouse gas emissions from the use of biomass as an energy source or have adverse effects on carbon sinks provided by biomass and its impact on biodiversity. NAS shall make non-binding recommendations to Congress on how to prevent or mitigate such negative consequences.

<u>Section 8: Adjustments to Duplicative GHG Regulations</u> (pg. 39 - 46)
To avoid imposing both taxation and regulation of greenhouse gases, this section adjusts certain existing greenhouse gas regulations which would become redundant, conflicting, or duplicative by enactment of this policy.

- Title III of the Clean Air Act is amended to provide that the EPA Administrator shall not limit (or to require states to limit) greenhouse gas emissions that are also subject to the Carbon Fee on the basis of their greenhouse gas effects.
- EPA retains (1) all other regulatory authority over those emissions (e.g., monitoring and reporting requirements, information gathering), (2) authority to regulate greenhouse gas emissions for non-greenhouse gas effects, (3) ability to consider collateral benefits of limiting emissions based on greenhouse gas effects, and (4) to regulate any greenhouse gas that is not among the specific ones defined herein as "greenhouse gases."
- EPA also retains its full authority to limit GHG emissions from motor vehicles, non-road engines, and aircraft, although the latter may not be stricter that the limits imposed by the International Civil Aviation Organization.
- EPA retains its full authority over greenhouse gas emissions from natural gas and petroleum systems (except natural gas processing plants, emissions from which are taxed under section 9002), and from publicly-owned sewage treatment plants.
- EPA shall make a determination by March 30, 2030, and no less than once every five years thereafter, as to whether greenhouse gas emissions targets have been achieved. If those targets are not met, regulatory authority will be restored, and the EPA will issue regulations to bring emissions to levels at or below targets.

<u>Sections 9 - 11: Housekeeping Provisions</u> (pg. 46-47)

Section 9: Effective Date - Carbon Fee shall begin 270 days after enactment
Section 10: Principles of Interpretation
Section 11: No Preemption of State Law