Putting a Price on Carbon Pollution in Vermont: Policy Overview

A diverse, growing group of businesses, low-income advocates, environmental groups and others (the Energy Independent Vermont coalition) has been researching the benefits, costs and potential policy framework of putting a price on carbon pollution in Vermont. After much groundwork, including commissioning Regional Economic Models, Inc. (REMI) to examine the impacts of the policy (see http://bit.ly/REMIvt), the coalition has put forward a policy proposal, outlined below. It is intended to serve as a starting place for a robust dialogue about how Vermont can meet three fundamental objectives:

Policy objectives of the "Energy Independent Vermont" proposal:

1. Substantially reduce Vermont's carbon pollution (CO2 emissions)
2. Create economic benefits to the state and grows jobs
3. Do so in a way that is equitable for all Vermonters

Where does the money come from?

- An assessment on carbon pollution, applied to fossil fuels
  - Electricity exempt (covered by RGGI; minimal contribution to CO2 portfolio)
- Prices carbon pollution at $50-$150/ton, with a 10-15 year phase-in period where the price would increase by $5-$10/ton/year
- Under $50/ton scenario, revenues would grow from ~$35m/year in 2017 to ~$250m/year in 2027
  - VT emissions decline from 7 million tons/year CO2 in 2017 to 5 million tons/year in 2027
- Focus is on an upstream model that applies and collects the assessment at the distributor level

How would the money get used?

- 90% of the revenue is returned in the form of rebates and other tax relief:
  - Refundable tax credits for individuals (flat per capita figure for every adult resident)
  - Corporate income tax rate reductions for businesses
  - Per-employee rebates for non-taxable entities (e.g., non-profits, schools, municipalities)
- 10% of the revenue is invested in helping Vermonters cut their energy bills and fossil fuel use through energy efficiency and clean energy. That includes:
  - Energy efficiency solutions for homes and businesses (weatherization, cold climate heat pumps, etc.)
  - Low-income weatherization
  - Renewable energy (solar tax credits, etc.)
  - Transportation efficiency (transit, carpooling, walk infrastructure, efficient vehicles, etc.)
- Special attention on low-income Vermonters to address regressivity concerns
  - Additional rebate for low-income Vermonters
  - Dedicated funding to supplement Weatherization Assistance Program

Based on legislative priorities, carbon tax revenue could of course also be used for other purposes; REMI modeling indicates a carbon pollution tax is economically better than most other taxes Vermont can levy.