

June 8, 2015

Senate Environment and Natural Resources Committee
Via Email

Re: SB 965 --- "Cap & Dividend"/ Carbon Pricing

Dear Senators:

As a current and past member, and chairperson, of two different natural resource commissions in Oregon, I'm convinced that this state is already bearing the costs of greenhouse gas emissions, whether in the form of climate change or, more directly, by the effects of higher CO2 levels on our forest, rangeland and seacoast environments. As a businessperson with an economics background and as a lawyer who primarily represented business clients, I'm also convinced that the only effective remedy is the predictable, stable and effective implementation of revenue neutral carbon pricing. I support SB 965.

I realize that it is tempting for many to advocate for the use of carbon pricing revenues to "jumpstart", "accelerate" or otherwise stimulate or subsidize the "green economy". However, for the reasons enumerated below, I believe this would only threaten the political viability and ultimate effectiveness of true carbon pricing:

1. Government, at both the state and federal levels, has a rather dismal record of choosing who or what to subsidize. Technologies change, prices change, the "wrong" company or sector is subsidized, and government simply cannot react quickly enough. An uninhibited pricing mechanism, however, can react immediately to such signals and effects.
2. Related to the above, there is always the potential for corruption or, for that matter, simply the perception of corruption, when particular firms or sectors are subsidized. Often, the political fallout from real or perceived instances of corruption or favoritism results in a reversal of the underlying policy being advanced by the subsidy. Again, a pure pricing mechanism will necessarily aid carbon-reducing businesses and technologies, while penalizing those who do not—all without blame or negative political consequences.
3. Frankly, like it or not, many in this state will view any diversion of carbon revenues as a tax, with all of the attendant partisan political consequences. This, in turn, threatens the effectiveness of using the pricing mechanism to trigger broad-based, timely and flexible economic decisions that will actually result in a meaningful and sustainable reduction in greenhouse gas emissions.
4. Finally, returning the revenues in the form of direct dividends helps to assure a strong political base to support the continued implementation of the policy. Moreover, those receiving the dividend can actually advance their economic position by making choices to utilize less carbon-intensive technologies, products or practices.

Very truly yours,

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