

Senator Chris Edwards
Chair, Senate Committee on Environment & Natural Resources

Dear Senator Edwards,

I write today in support of legislation to reduce carbon emissions in Oregon, and in particular SB 965 (carbon cap & dividend). The evidence on climate disruption caused by human activity is compelling; the findings in both SB 965 and HB 3470 demonstrate clearly why it is in the state's interest to regulate carbon emissions and work to reduce them significantly.

My focus for this testimony is the program proposed in SB 965. While many have supported the concept of cap & trade for carbon control, the cap & dividend proposal in SB 965 represents a novel approach to this problem that uses the benefits of a Pigouvian tax while avoiding the unintended consequence of government dependence on revenue generated by such a tax. Pigouvian taxes were first proposed by economist Arthur Pigou in the first part of the 20th century. In essence, he proposed taxing activities that have negative effects (externalities) on society, with the intended effect of reducing the frequency or amount of such activities. Tobacco taxes are the most common example of a Pigouvian tax.

However, while Pigouvian taxes do reduce activities with negative externalities (e.g., tobacco users, especially teenagers, are known to be price sensitive, so as taxes increase, utilization decreases), when governments use revenues from such taxes to fund core services any other proposal targeting reduction of unwanted activities can be stymied by the loss of tax revenue that would result from such reductions. For example, a proposal to raise the legal age for tobacco to 21 might result in the loss of millions of dollars of revenue that supports public health activities, leading policy makers to balk at implementing such a reduction measure.

The cap & dividend proposal in SB 965 represents a novel approach to this problem. Were the state to implement SB 965, the majority of revenues from carbon taxes would be disbursed to individual Oregonians. This bill is explicit about a full revenue return to Oregonians with the exception of minimal costs associated with administering the program. Initially, this would put more money into the active economy of the state, leading to improved economic well-being for individual Oregonians, and induced jobs. Over time, as emitters work to decrease the amount of carbon or other greenhouse gases they put into the atmosphere, the amount disbursed to individual Oregonians would decrease, but the economic effect on any given individual or the state would be small, and most likely offset by the increased economic activity from alternative power and the decreased costs associated with carbon emissions (e.g., health care costs induced by respiratory ailments exacerbated by poor air quality).

In summary, I urge your support for SB 965. The state must play a role in reducing greenhouse gas emissions, and the cap & dividend proposal represents a great approach to this important state priority.

Most sincerely,

Sen. Elizabeth Steiner Hayward MD