Global Warming
Lecture 6.2
Carbon Tax vs. Cap-and-Trade

CAR Act

- A tax of $15 per metric ton of carbon dioxide.
    - Increase by $15 every year.
    - If emission goals were not reached in a given year, the tax would instead increase by $30.
        - The tax would stop increasing after emissions are cut by 10 percent
- Seventy percent of the tax revenue would be distributed back to low-income and middle-income Americans.

SWAP Act

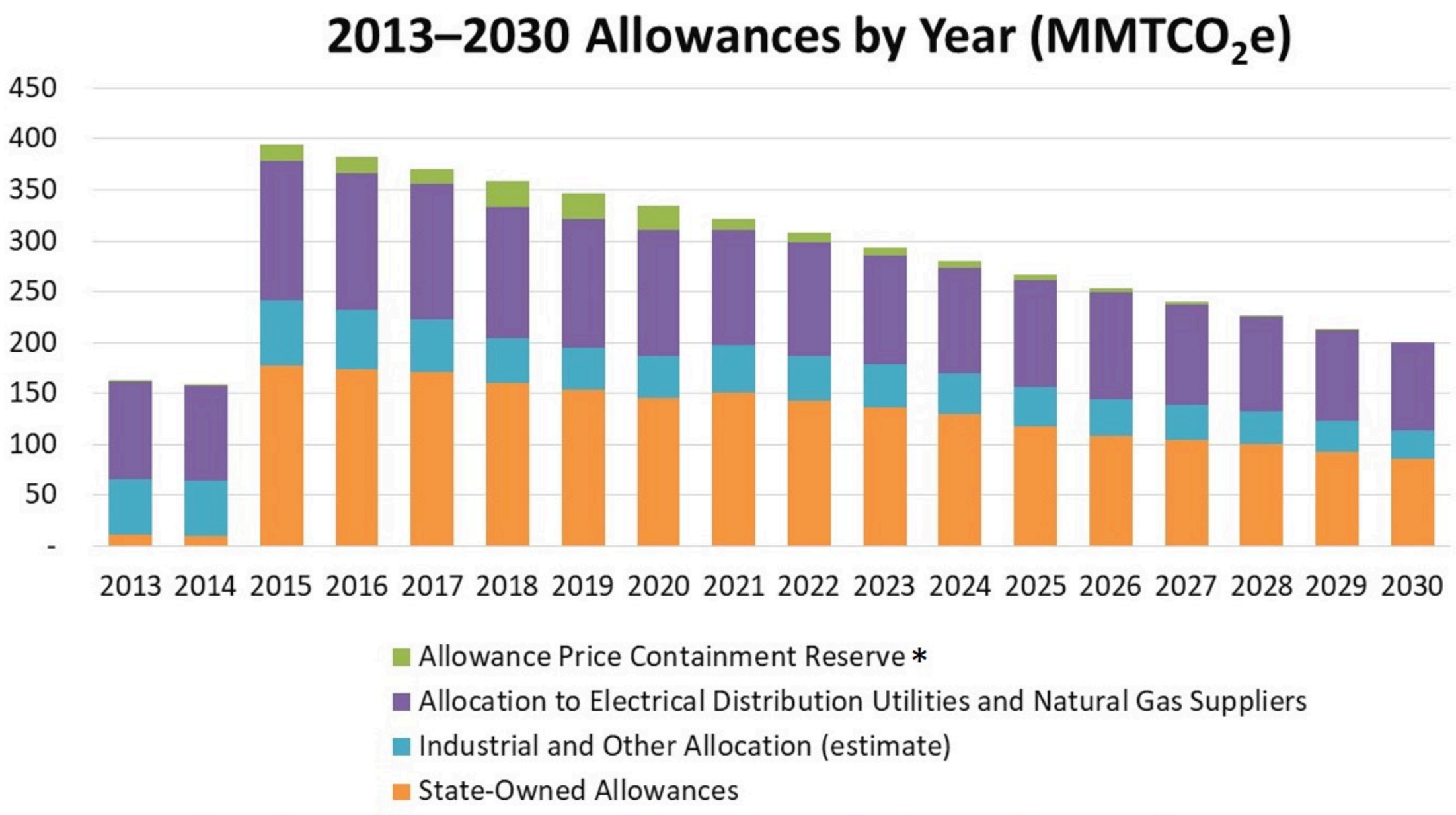
- A tax of $30 per metric ton of carbon dioxide.
    - Increase by 5%every year.
    - For every two years that emission goals are not met, however, the tax would increase by $3 per ton.
- 70 percent of the revenue from this carbon tax would be used to reduce payroll taxes.
    - Payroll taxes -1%
    - The revenue would be given to Social Security beneficiaries.

RWCC Act

- A tax of $40 per metric ton of carbon dioxide.
    - Increase by 2.5%every year.
    - This yearly increase would stop once emissions were cut by 20 percent, relative to 2005 levels.
- 84 percent of the revenue from this carbon tax would be used to reduce payroll taxes.
    - The revenue would be given to Social Security beneficiaries.

Similarity & Differences?

California Cap-and-Trade



*Some allowances were put into a reserve at the start of the cap-and-trade program. If an entity could not meet the allowance requirement, they could purchase from this reserve at a higher price. This contingency has never been used.