A bright sun with prominent rays is positioned in the upper center of the frame against a clear blue sky. Below the sun, a vast expanse of water is covered with numerous icebergs of various sizes, suggesting a melting ice sheet. The text is overlaid in the center of the image.

# **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.

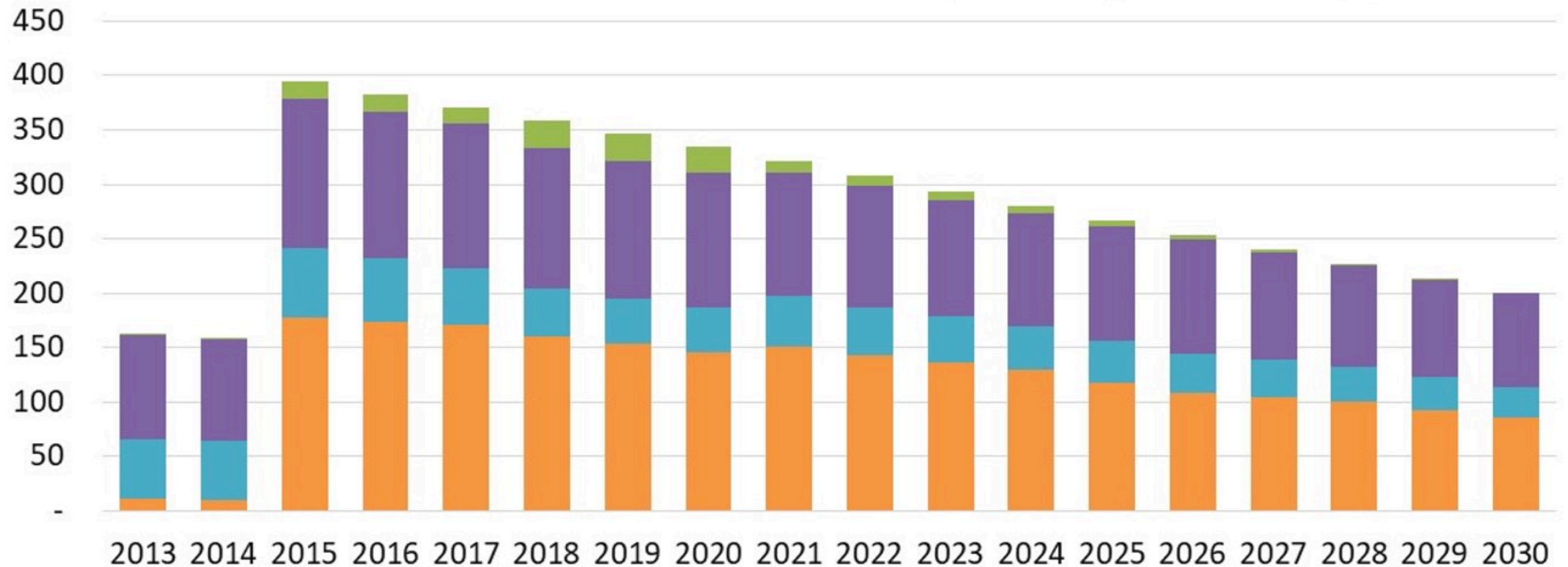
# RWCC Act

- 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

## 2013–2030 Allowances by Year (MMTCO<sub>2</sub>e)



- Allowance Price Containment Reserve \*
- Allocation to Electrical Distribution Utilities and Natural Gas Suppliers
- Industrial and Other Allocation (estimate)
- State-Owned Allowances

\*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.