Biden should impose a carbon fee immediately [Op-ed in Boston Globe]

By James E. Hansen and Daniel M. Galpern, Jun. 1, 2021

President Biden has inherited a welter of urgent challenges, which he and his team are confronting with alacrity and skilled professionalism. In this moment, he has an exceptional opportunity to address, as he so aptly put it, the “existential climate crisis.”

Prior presidents, even those who recognized the climate threat, did not exercise their full statutory authority to restrict greenhouse gas emissions that cause global warming. As the public experiences an increased frequency of extreme climate events, as young people worldwide cry out against the threat to their future, and as the United Nations approaches a major climate conference in November in Glasgow, Biden has the opportunity to lay the groundwork for a rapid phasedown of United States and global emissions.

Under the Independent Offices Appropriations Act, the president retains authority to direct a relevant federal agency (here, the Environmental Protection Agency) to impose a fee on GHG emissions. The fee can be collected efficiently from the about 200 oil, gas, and coal companies that produce, refine, and distribute fossil fuels in the United States.

This is a crucial clarification to executive authority, because EPA has labored for decades under a presumption that it lacked authority to impose such fees. That assumption derived in part from an aside in a legal memorandum by then-EPA General Counsel E. Donald Elliott. Elliott had reviewed economic incentives available to the agency to restrict pollution but, by his own later admission, Elliott at that time was “woefully ignorant of the IOAA and related jurisprudence.” Writing in 2019, Elliott sought to “set the record straight that EPA does have existing authority to impose a reasonable user fee on releases of carbon dioxide and other GHGs . . . any time that it has the political will to do so.”

All nations are committed under the United Nations Framework Convention on Climate Change to stabilize GHG concentrations at a level that prevents “dangerous anthropogenic interference with the climate system.” However, UN efforts to limit emissions with voluntary goals, including the 1997 Kyoto Protocol and 2015 Paris Agreement, simply have not sufficed. The principal GHG — carbon dioxide — will continue to increase rapidly as long as the price of fossil fuels does not even begin to include their ultimate costs to society.

Economists agree that a rising carbon price covering all fossil fuel uses is essential for rapid phasedown of emissions. More than 3,500 economists — including 28 Nobel Prize laureates, all four living former chairs of the Federal Reserve, and 15 former chairs of the President's Council of Economic Advisers — issued a statement endorsing a carbon fee and dividend. More than 400 student body presidents, representing more than 4 million college students across all 50 states, support a carbon fee and dividend as well.

The collected fee could be returned equally to all adult legal residents of the nation, with a half-share for each child, up to two children per family. People without a bank account would receive a debit card. Seventy percent of the public would receive more in their carbon dividend than they pay in increased prices. True, wealthy people tend to have a larger carbon footprint and
would lose money, but they can afford it. Fee and dividend thus will help address wealth disparity.

Carbon fees and dividends support all other actions to phase down carbon emissions. They spur economically efficient energy investments, and provide essential economic guidance if we are to “build back better.”

The International Monetary Fund advises that the carbon price must rise to at least $75 per ton of CO2 emissions. That is a reasonable estimate, though the fee can be raised further if emission reduction targets are not timely achieved.

The United States is the nation most responsible for historic emissions and thus for global climate change, but China is most responsible for current emissions. Both nations have much to lose from growing climate change, and their cooperation is essential for success in stemming the threat of irreversible impacts such as devastating sea level rise. If China and the United States agree on meaningful carbon fees, they can readily make it near-global via border duties on products from countries without carbon fees; that would encourage most nations to adopt the policy, so as to retain such revenue for their own people. And that would help to further Biden’s goal of addressing the “existential climate crisis.”

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