

FIVE WAYS TO PRICE CARBON

from least transparent method to most transparent method

- 1) **THE STATUS QUO:** do not internalize the external costs of climate change and make the taxpayer responsible for climate-related damages.
- 2) **REGULATION:** sector by sector regulation of all the sectors in the economy that produce carbon pollution.
- 3) **CAP AND TRADE:** put a mandatory limit (or "cap") on some portion of national emissions, allowing firms to buy and sell rights to emit within the cap as well. This can be with or without offsets.
- 4) **CARBON TAX:** a tax based on greenhouse gas emissions (GHG) generated from burning fuels. The tax may or may not be revenue neutral.
- 5) **CARBON FEE AND DIVIDEND:** put an incrementally increasing fee on carbon pollution and return 100% of the dividends to households. The term fee is used deliberately to indicate clearly that it is a revenue neutral tax system.

DEFINITION OF REVENUE NEUTRAL: no net increase in overall federal tax revenues.

CITIZENS' CLIMATE LOBBY