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## Will Washington be the first US state to have a carbon tax?

The principle behind a carbon tax is simple, Cobb writes: Raise taxes on what you want less of and lower taxes on what you want more of.

By Kurt Cobb, Resource Insights | SEPTEMBER 25, 2015

Yoram Bauman is [the world's only "stand-up economist."](#) He makes his living poking fun at his own profession. But he's dead serious about fighting climate change, and he's the intellectual force behind a climate-related initiative that seems likely to appear on Washington state's November 2016 ballot, an initiative that would implement the first carbon tax in the nation.



Rail cars are parked on tracks at the coal-burning TransAlta plant, near Centralia, Wash. (Ted S. Warren/AP/File)

The purpose of the measure, dubbed Initiative 732, would be to motivate households and businesses to cut down on the burning of fossil fuels, the major source of man-made emissions of carbon dioxide, the main greenhouse gas. By raising the price of fossil fuels it would encourage conservation and efficiency and the substitution of low-carbon and carbon-free sources of energy by making these energy sources more cost-competitive.

The organization pushing the initiative is [Carbon Washington](#). The principle behind the proposal is simple: Raise taxes on what you want less of and lower taxes on what you want more of.

In this case, the proposal taxes carbon emissions at a rate of \$25 per metric ton. The tax would be phased in over two years and increase each year after that by 3.5 percent plus the rate of inflation. The proposal lowers the sales tax by one full percentage point (from 6.5 percent to 5.5 percent) and provides a rebate to poor families of up to \$1,500 to lessen the burden of the carbon tax on their limited incomes. Finally, it virtually wipes out the so-called business and occupation tax on manufacturers in the state. For manufacturers--which tend to be more energy-intensive than other types of businesses--that tax falls from a typical rate of 0.484 percent of gross business receipts to 0.001 percent.

The effect is to hold state revenues steady. The proposal's tax reductions and rebates give back to Washington state residents and businesses as much as the carbon tax collects, about \$2 billion annually starting in 2018 when it would go into effect. The purpose of the tax then is strictly to change behavior and buying habits in order to lower carbon emissions rather than to raise revenue for the state. In bureaucratese the tax is "revenue neutral."

Bauman prefers the carbon tax to other forms of carbon pricing because "it's so simple and transparent, it can be explained in a haiku." [Haiku](#), of course, is a Japanese form of poetry containing 17 syllables arranged 5-7-5. The haiku that explains the plan is this:

Fossil CO<sub>2</sub> (pronounced: see-oh-two)

Twenty-five dollars per ton

Revenue neutral

He jokes that [California's cap-and-trade plan](#) for carbon emissions by comparison is more akin to Leo Tolstoy's *War and Peace*. The first edition of the novel contained 1,225 pages. The California plan is actually shorter, 430 pages. But the [implementation documents](#) are voluminous. Not exactly haiku.

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The legal language for Initiative 732 is considerably shorter, about [27 pages double-spaced](#). An even [shorter summary](#) is available on the Carbon Washington website.

The natural opponents of this measure are those in the fossil fuel industry. But Washington state's production of fossil fuels--oil, natural gas and coal--is exactly zero [according to the U.S. Energy Information Administration](#). Even so, the industry is unlikely to sit out the ballot campaign when, like every other state, Washington's drivers and freight haulers are dependent almost completely on gasoline and diesel refined from crude oil. In addition, the state's electric utilities generate 15.6 percent of their electricity using natural gas and 6.6 percent using coal. Some 68.5 percent of the state's electricity comes from hydropower, 8.5 percent from other renewables, and only 0.2 percent from nuclear.

While there is no sugarcoating the consequences for coal--the tax would almost double its price--liquid fuels such as gasoline and diesel might rise about 25 cents per gallon (based on a \$25 per ton tax). That's not so high as to change the way Washington state residents and businesses fuel cars, trucks and other forms of transportation. The effect on the price of natural gas would be about half that of coal because natural gas, when burned, emits about half the carbon.

Also likely to oppose the measure are what economists refer to as energy-intensive, trade-exposed businesses. These are business that both consume a lot of energy and sell beyond the state's borders and so have to compete with businesses not subject to the carbon tax. Examples include steel producers, pulp and paper manufacturers, food processors and

aluminum smelters.

Ideally, Bauman explained, the carbon tax would spread across the country and then internationally so that no energy-intensive businesses would be at a disadvantage. Until that happens nearly wiping out the business and occupation tax on such industries in Washington state should help them maintain their competitiveness.

Currently, the only visible active opposition to the initiative is coming from an unlikely source. A Washington-state-based group called the [Alliance for Jobs and Clean Energy](#) also favors reducing carbon emissions, but has been championing the cap-and-trade approach. Like California's plan, this one would cap emissions at gradually declining levels for carbon polluters. Those who emit less than their allowance could sell their excess emission rights to others who are unable to meet their limits.

[A cap-and-trade proposal before the Washington state legislature this year](#) which was supported by the Alliance failed to pass. That proposal "would have raised more than \$1 billion a year from fees on carbon and directed the proceeds to the state education budget, transportation projects, affordable housing and other programs," [according to the Seattle Times](#).

The Alliance has said that it may offer its own ballot initiative to address carbon emissions. It won't announce its intention until sometime this fall and hasn't publicly provided specifics about the approach it would take.

The two organizations temporarily had an uneasy truce after [a joint statement](#) issued earlier this year. But in July [Alliance members publicly labeled Carbon Washington's proposal a nonstarter with voters based on polling](#).

Bauman has seen the poll and contends that it shows support in the mid-50 percent range after voters learn about the proposal.

His interest in the issue began when he was a student at Reed College in Portland, Oregon. It was there that he learned about environmental taxes as a way to change behavior. To him the idea seemed "intellectually beautiful."

When he obtained an internship at the [Sightline Institute](#) in Seattle, he met Alan Durning, the executive director. He and Durning later coauthored [Tax Shift](#) which outlines how a carbon tax would work.

The book made its way onto the shelf of [Gordon Campbell](#), premier of British Columbia from 2001 through 2011. Campbell pushed through [Canada's first carbon tax](#) in 2008 which remains in place today and which is believed to have achieved a reduction of 4.5 percent in carbon emissions as of 2012 even as the province's economy continued to grow. [A recent study](#) suggests that the reductions attributable to the tax from 2008 to 2015 could be as high as 15 percent.

Bauman said it's important to note that Campbell's political party, the confusingly named [British Columbia Liberal Party](#), is considered right-of-center. This shows that a revenue-neutral approach to reducing carbon emissions can have appeal across ideological lines--whereas a cap-and-trade plan which raises taxes without offsetting reductions may only appeal to left-leaning voters.

The number of signatures gathered on petitions supporting Initiative 732 recently passed 200,000. A little over 246,000 valid signatures are required by December 31 to qualify for the ballot. Carbon Washington expects to collect 330,000 signatures well before that date in order to have a buffer in case some of the signatures are ruled invalid.

If the initiative is certified, it will be presented to the Washington state legislature for approval. Bauman still holds out some hope that the legislature might adopt the initiative as law despite the body's previous unwillingness to take up a climate bill. But if the legislature fails to pass the provisions of the initiative by March when it adjourns, the proposal automatically goes on next year's November ballot.

Carbon Washington is relying on a network of local chapters and volunteers to obtain signatures and carry the campaign forward should it get on the ballot. The organization has so far raised about \$360,000.

Bauman said polling suggests that there are a large number of undecided voters. "We have reason to believe that when we explain the proposal, we will pick up most of the undecideds," he added.

If the proposal makes it to the ballot, Bauman and his colleagues will no doubt be repeating the prose equivalent of his haiku explanation countless times in order to sway those undecideds before the November 2016 election.