CENTER FOR CLIMATE AND ENERGY SOLUTIONS

Opportunity and Costs: A potential bipartisan pathway for pricing carbon in 2025

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TranscriptVideo

Good morning and thank you for joining us today. I'm Nat Cohane, and I'm the president of the center for Climate and Energy Solutions, or C2ES. For those of you new to C2ES, we are a nonpartisan, nonprofit organization working to secure a safe and stable climate by accelerating the transition to a thriving, just and resilient net zero economy.

It's a pleasure to welcome you today to the Pricing Carbon Initiatives public forum on opportunity and costs, a potential bipartisan pathway for pricing carbon in 2025. I'm particularly pleased to be hosting this public forum because C2ES has long supported market based approaches to address climate change.

Since our founding over 25 years ago, we've worked with policymakers, businesses and other stakeholders to build solutions, support and advance market based solutions at the state and national levels. C two S has also been an active participant and a steering committee member of the Pricing Carbon Initiative. PCI provides a forum to foster dialogue across the political spectrum on viable solutions that price carbon pollution. Today's public forum features a discussion with two leading thought leaders who have come to support carbon pricing, primarily for fiscal reasons. All of us on this public forum know that carbon pricing is a critical component of any comprehensive approach to reducing climate pollution and getting the world on a pathway to net zero emissions.

Of relevance for today's forum is another clear benefit from pricing carbon that doing so can raise significant government revenues. New revenues are especially important if we're looking to address fiscal concerns now. 2025 is shaping up to be a historic year for fiscal policy. Next year, lawmakers will have to deal with another debt ceiling fight, the end of budget caps on defense and non defense spending, and the expiration of many tax provisions in the 2017 Tax Cuts and Jobs act. On this last point, the expiration of the TCJA provisions will lead to tax increases if nothing is done, and such, there's strong interest among both Democrats and provisions and Republicans to extend some of those provisions, which are estimated to cost more than $4 trillion through 2034 and would grow our national debt to unprecedented levels.

If not paid for now, rising federal debt would have social, economic and national security impacts. More debt means it'll cost more to borrow and more federal money will be spent servicing debt than on providing government services. One potential solution to help address this looming fiscal cliff is a carbon tax, which could raise trillions of dollars to help pay down the deficit and pay for tax increases. Sorry, pay for tax reductions. A carbon tax would simultaneously raise our climate ambition to ensure that we achieve our near term climate goals and get on a firmer trajectory to achieving net zero c two e s and others see a window of opportunity next year, albeit a narrow one where fiscal necessity demands new revenues and a price on carbon could provide those revenues.

So that's what we'll be talking about today. Before we begin, I want to cover a couple of housekeeping items. First, we are recording this webinar, and a recording of the webinar will be made available on the C two Es YouTube page within 24 hours. Second, the format of today's webinar will be a moderated chat and panel discussion. Justin Worland, senior correspondent for time, will moderate a conversation with Maya McGinnis, the president of the Committee for a responsible federal Budget, and Alex Flint, executive director of the alliance for Market Solutions.

Maya and Alex will reflect on how fiscal budgetary concerns may open up new doors for carbon pricing in 2025. Following their conversation, Alden Meyer, senior associate at E 3G, will moderate a panel with Rob Shapiro, the founder and chairman of of Sonican Christina Don Quincini Dicansini, who is the director of government affairs at the World Resources Institute and also the chair of the board of the Pricing Carbon Initiative and George Birakis, president of young conservatives for carbon dividend. We'll try to leave some time at the end for audience q and a and the discussion. Please submit your questions into the q and a portion of Zoom and we'll try to answer them. And with that, let me turn it over to Justin.

Hi Justin, and thanks for joining us to moderate. Hi Nat, thanks for the introduction. Laid the ground pretty well. Just to reiterate, my name is Justin Moreland. I write about climate at time based out of DC, and I've been writing about climate for about the last decade and a lot has changed.

One thing that hasn't changed is speculation about a carbon price as a potential solution on the hill. And so it's exciting that that's continuing to happen now, but perhaps with dynamics that might actually make this more real than has been in the past. As Nat laid out many of the sort of fiscal drivers that are coming to a head in 2025 and so decided to dig into that over the next half hour with Alex and Maya. You know, Alex, you've been making this case for years that fiscal concerns might be the catalyst that would, would finally bring, make a carbon tax a possibility in the US. And as Nat laid out in 2025, we have a number of things coming to a head, from the expiration of the tax cuts to sustained higher interest rates, et cetera, et cetera.

Maybe you can just start by making the case why this is the moment. Well, or might be the moment. Let me say that. I think we will eventually reach the moment. It's a question of when.

And something about your comments made me think back to my evolution and why I came to believe that a carbon tax is going to eventually be enacted. I was staff director of the Senate Energy Committee through 2005. And when Waxman Markey was being considered in 2009, I was very involved in the negotiations on that cap and trade approach. And what I found in those negotiations was that in order to garner additional votes and recognize the bill was never successful, the proponents never got enough votes for that to pass the Senate. But in making the trade offs to gain votes, they undermined the integrity of the potential of a cap and trade system.

And I learned from that experience that building the necessary consensus around a climate policy specifically to address climate, was very, very difficult and I think may have, may be impossible. And so what I began to do was thinking about what are the policy options that address climate, but have the potential to build enough support to really enact sustainable, durable climate policy. And so for me, it was this opportunity for climate policy and fiscal policy to converge on something where there really can be two pillars to support the policy and two sets of justifications that come together to build enough support for something to pass the House, pass the Senate and be enacted into law by the president. And so for me, it was the potential of a political deal. Now, the question today is, what's the opportunity for the deal?

And it's not an opportunity that we all embrace and celebrate. It's really, are we pressed to where a deal becomes necessary? And I think that's what we're looking at. Are the forces continuing to build, both from a climate perspective and a fiscal perspective that we eventually are forced to this moment where politics have to change and we have to do something new. And I do believe that eventually that's going to happen.

The climate I was looking at the MIT androads model that they've just done a big update of, shows average global temperature increasing six degrees fahrenheit by 2100, seas rising 2.5ft by 2100. That's going to necessitate bigger climate policies than we've done, is very familiar with the fiscal drivers. This is a case where the sooner we do this, the better. It would be nice to do this through some sort of enlightened perspective, realization of the potential of a deal we may delay. And the crises, both of them, may be larger, but eventually they will converge.

And in the near term I think it's the fiscal drivers that Maya specializes in that are going to get us there. First. Let's turn to Maya then. It'd be great to get your journey coming to support the carbon price, but also maybe lay out the fiscal policy drivers and why this is something for the committee for responsible federal government, federal, excuse me, budget to engage on. Good.

Thank you. And good job on the name because getting it almost right is like a huge success. Most complicated name of an organization. Do have it written down in front of me, but. So it's a little bit of.

I often have to do the same thing. It's a lot of words. So let me lay out the fiscal picture a little bit, just for a moment to frame the discussion and then talk about these issues and why they converge so elegantly. I think. So the fiscal situation is, by any account it's really bad.

It's really bad. I know that that is what I focus on. But there is nobody who can pick up a congressional budget office report and read where we are and where we're headed and not become concerned. So we now have a debt as a share of GDP that is about to be at the highest level historically we've ever had in the country. The only other time it was higher than this was right after World War Two when we had obviously fought a world war.

This time we've gotten there from some emergencies where we should have borrowed. The great Recession Covid those are the times you do want to borrow, but also from a whole lot of borrowing we do for no good reason other than that the political environment is unwilling to pay for things and that has become the norm. And that's problematic. As a result, single fastest growing part of the federal budget is interest payments. This year, for the first time, interest payments are the second highest thing line item in the budget.

They are higher than Medicare, they are higher than national defense. Like these are big red warning signs. We have two major trust funds in Social Security and Medicare that are both headed towards insolvency within a decade. These are not the kinds of things that you should wait until the last minute to address because these are programs people depend on. And you have to make these changes as gradually as possible, phase them in, give people time to understand what's happening, whether you're raising taxes, slowing the growth of benefits both.

And we're waiting to the last minute. So there's just warning signs everywhere. We are on track. If we do nothing new and we will put in place more borrowing, I can promise you that. But if we do nothing new, we will borrow another $20 trillion over the next decade.

So the first point is the fiscal situation is genuinely really dangerous. And I can go more into why that matters, but it has profound economic effects. Your ability to respond to future crises, national security effects, it stops us from redoing our social contracts. So it could address the problems of the current economy rather than last centuries. There are a lot of issues that it stands in the way of.

The second point I would make is fiscal and climate are very similar. And this is one of the parts of my journey as I started to spend more time trying to think, how do you get people to focus on this issue of fiscal policy? And I happen to care about environmental issues, but you can't avoid seeing the similarities, which is when you have an issue that is a clear danger, but it is not a specific turning point. People say, at what level will the debt become a problem? Like nobody knows.

It's when the markets become concerned. It's when other places around the country, around the world, create rivals to our safe haven, reserve currency options. Nobody can time it. Nobody can time when climate becomes like, oh, there's no return. This is the frog in the boiling water, right?

It's slowly, slowly, slowly getting worse, and then you're dead. Hopefully we're not dead, but there is no action forcing moment on these two issues. And given that we have a governance structure that only responds to crises, it's really hard to get people to act then just quickly. Why I am optimistic about this, I'm not sure. I'm not sure it's still deserved.

But I continue to have this belief that there'll be a lot of political posturing and the polarization makes this all much harder than it used to be. But in the end, good policies will be the first ones that we reach to. And when we acknowledge that there is a fiscal structural problem, it would take $7 trillion in savings just to keep our debt basically where it is. We're not going to balance our budget. That would take $15 trillion in savings over ten years.

That's not going to happen. But 7 trillion is a number to keep in mind of a reasonable target. There is nothing that can really be as helpful as putting a price on carbon. But the real benefit is you actually have a twofer or potentially a three fer, which is you help climate, you help the fiscal situation, and it can raise enough revenues that you could actually meet additional needs if you want to do other things in addition to reducing the debt. So I think it's the single most promising policy out there.

Literally the single most promising. And so that's why I'm hopeful that when we go through all the bad policies, which we seem to be focusing on, this is the one that will start to make sense, and we'll have a bipartisan coalition as needed to make progress. Well, there's a great, there's a lot of threads from both of you there to pull on, but I want to maybe just turn to this sort of political question. I mean, okay, so from a policy perspective, it makes sense. There's this alignment.

Do you see folks who might consider themselves deficit or budget ox interested in a carbon tax? Is that something where you see momentum, even awareness, perhaps as a potential policy solution?

And Maya, you can start on that. Or, Alex, if you prefer, let Mario go first. So then I want to come in after her. Okay, so there are two kinds of deficit hawks. They're the kind of deficit hawks who like to talk about fiscal responsibility only as a way to stop the other side, the other team, from doing what they want to do.

So they're the minority party. Suddenly they find deficit religion and they oppose growing deficits. But as soon as they're in power, they love deficits. Then there's the true fiscal responsibility group of people who understand that debt has a role in the economy. When there's an emergency, you need to borrow.

But in order to be prepared to do that, you have to pay for things or bring your debt down when there's not an emergency. That is a small but mighty group. It does exist in the House and the Senate. It is bipartisan. The problem is that there is such a belief on both sides.

It's a moment of existential threat. If the other party becomes the majority, they often get squeezed in terms of pushing for this issue. That said, I think every serious deficit hawk does understand that this is the right issue. There is difference about what the revenue source should be used for. The problem is that on the right, people want any money they raise to go towards offsetting tax cuts or, you know, or other tax increases have to be paired with tax cuts.

On left, anybody? If you raise money from something, it has to go to new spending. The goal is to use bipartisanship to get them to actually realize we have to reduce the debt while achieving good policies rather than using those resources for new things before we deal with the debt. That's not that there's not a need for new things.

It's just that when we need these monies, these resources to deal with the debt first.

So, yes, there is a group of people not strong enough to make it happen yet, but it's been growing. It's been moving significantly in the right direction over the past years, particularly as fiscal situation has gotten worse. And some things within the parties are realigning. So that's, I see the momentum in the right direction for sure. Yeah.

So you're saying there is a core group that is serious enough that could actually perhaps make something, something happen here? I mean, Alex, feel free to come in there. But I also want to ask you just broadly, how do you see this playing out in Congress? What would be the path, presumably through reconciliation? But give us some sense of how you might actually see this happening in 2025.

Yeah. So I think a carbon tax is on the list. And to be specific. So Phil Swegle, the CBO director, has a list of options to reduce the federal deficit. That list has stayed fairly constant over recent years, and he publishes on blog posts and other things every once in a while.

And a greenhouse gas tax or carbon tax is on that list as a way of raising somewhere close to a trillion dollars over ten years, which is about a $35 a ton carbon tax. And theres different machinations of it that would change that number. But whats important to recognize is that list has very few things on it that raise a trillion dollars a year. Its reductions in Medicare or Social Security or increases in middle class tax rates or other things like that. So its on the list when a deal comes together on tax reform, which will be through reconciliation, when it comes down to the technical aspect of writing that bill and deciding what the score is going to be, the revenue tables are going to have to be filled out.

And my suggestion is that none of the revenue provisions are going to be popular. There are not people who campaign for the revenue raisers. All the politicians focus on the cuts on the expenditure side of that table. And then when they sit down and they say, but we can only spend x amount of money or we have, this has to be revenue neutral, then the heavy lifting occurs. When the heavy lifting occurs, a price on carbon is on that list already.

It really is. How does it do in the competition among the other things? This is not a question of is there a bill? How many sponsors do you have? 51 votes in the Senate.

That's not the calculation that applies to a greenhouse gas tax or a carbon tax. The calculation is, is it necessary to put together a much larger package in reconciliation that satiates a number of desires. And so for me, it is in the mix. It can't come out of the mix because there are so few things that raise a trillion dollars. Really, it's that end game.

And what's the top line? Are the politicians going to spend another $5 trillion? Are they going to reduce the deficit? Is it going to be revenue neutral? And how much do the revenue raisers have to be?

Thats the calculation. Id be curious to touch on some of the political economy questions, I guess. Just how do you see industry responding? Of course, many in industry, many trade groups will say on the surface at least, that they support a carbon price of some sort. Obviously, it depends a lot on the construction of that.

And this is going to be, I imagine it would come about in a very sort of heated, sort of frantic sort of moment. And so how do you see industry engaging? Are you seeing any sort of early movement there? Anything in that realm would be interesting to touch on? I'll lead and then turn it to Maya.

Well, for decades now, the government has been spending more than it has been taking in every year by at least a trillion dollars. And that number is increasing. If we begin to reverse that and actually come closer to a balanced budget or reducing the annual deficit, there are going to be howls of protest. Individual rates are going to go up. Corporate rates are going to go up.

Tariffs are going to go up, carbon prices going to come in. So we all have to brace ourselves that if we turn this ship, there are going to be howls of protest. The real question is, can we take the medicine to address our long term climate goals and our long term fiscal goals? What I would say is that much like Maya talked about, how this is the frog in the pot, and I grew that analogy completely. The most important thing is to put a price in place for the long term so that the markets and the individual companies can respond to it.

What I'm really interested in is not what the price is in 2025. It's, is there a price in 2030-203-5204 so that we can all prepare for that? And I think there is a way to construct it so that corporate America and most of the large associations recognize that it is better than the alternatives. And I mean, Maya, I want to get you to come in on this, but I do want to just ask, does that include, you know, I mean, you say, you mentioned a carbon price or realistic discussions for carbon price to some Democrats and they say, well, okay, so long as it doesn't mean trading off the clean Air act or some other sorts of deal making that might happen. Is that the sort of thing, when you say that construction that might get corporate America excited or do you mean just the sort of good construction of the carbon price?

Precisely. Well, look, I think there's a very interesting discussion about Democrats not wanting to give away, say, clean Air act provisions. And on the other hand, some Republicans saying, well, we'll do this in lieu of clean air acts, but we also have to deal with the reality that we're going to be doing this in reconciliation. So we have to deal with the bird rule. So there are political deals that just are not available because of the mechanism that will be used.

And that's what just determines that we can't do things that are going to violate the bird rule. Right. And clearly the sort of side deals that you look at, the inflation Reduction act, the side deals didn't actually come to fruition even though they were ostensibly part of the mix. Maya, do you want to come in here? Yeah.

I'll make an observation that in this country, from changes in the past, I think two decades probably, we have just become completely out of practice of doing anything hard. We are not used to our politicians saying, what are you willing to do to solve this problem? We are very accustomed to our politicians saying, I promise to give you this and I promise to give you this. And like it's a fight over who will give us more. And when something sounds too good to be true, it is too good to be true.

And this is why we are in a bad situation fiscally, in a bad situation environmentally and a bad situation in terms of public investments and preventative measures we should have taken for additional risks. At this moment, we have been really short sighted and we have become accustomed to being bribed by our politicians by seeing who will give away more. And so that's going to be one of the hardest changes. We have to shift the notion that this isn't about, like what do I get? This is about what do we need to do to fix these problems and how in a polarized environment can we see that we actually have to be more in it together.

And one of the reasons, again, that the carbon tax makes sense to me is, as Alex said, it just stands out. It's the biggest option there is. It's not going to fix the entire fiscal problem alone, but it is going to fix a bigger chunk than anything else can. But it also has the advantage, and we've seen this like from Social Security reforms in the past when they raise the retirement age very, very slowly, very, very gradually, you can put a tiny carbon tax in today and change the rate over time, which gives people the incentive, the requirement to adjust, but it gives them the time to do so. I think what you're seeing already is some companies, and I'm not an expert in this area, but some companies understanding that a carbon tax is likely because of all the reasons that make sense and trying to adjust their behavior already to get out ahead of the curve of how you're going to provide other options.

And so I think there's a real benefit in sort of getting people accustomed and this idea socialized. And what I'm worried about is giving away too many bribes. Like I once, I remember, I was once talking to a member of Congress and he said, but what is the sweetener for this deal that you want? And I was like, we've spent the past two decades on sweeteners. We've given them all away.

And I know that Republicans say no in tax increases and Democrats say no tax increases except for 2% of people. And both parties say no spending cuts, no fixing Social Security, no fixing Medicare. None of these things are true. Like, we just have to get used to that. We will have to make these changes.

So when we have more truth tellers out there socializing, that carbon tax is just the top of the list of things that make sense. And Justin, can I jump in? It's not just a question of that. A carbon tax makes good sense from a climate policy perspective. It's also that if the government is going to raise revenue, it is better off raising revenue on the consumption side of the equation rather than on income and earnings.

If we are going to get this country back on a fiscal trajectory, one of the things we have to do is we have to ensure that we have a vibrant and growing economy. And the way you do that is to the extent possible not to increase taxes on earnings and income. Those are disincentives to work. Those are disincentives to value creation. You have to very carefully manage this.

You have to put together a tax code that is optimized for economic growth, that raises the revenue the government needs, but does so without unnecessarily impacting the economy. If we impose just taxes willy nilly on the economy, we will hamper economic growth and we'll never recover from that. Go ahead. Can I build on that also really quickly? Justin, we're just going to do this without you.

Now get. So please, please, just the fact that I remember my favorite graduate school teacher. Simplest line in the world, tax bads not goods. Tax what you want less of, not what you want more of the shift from taxing or the addition at least of new taxes that would be on things that are bad for the overall economy rather than things that are good like incomes and savings is really important. That said, it can be a regressive tax.

And I just want to reiterate because I, on a personal level, very committed to progressivity of the tax code and think there's a lot of important changes we need to make to increase that. One can do that with a carbon tax. There's a whole tax. There's five, $6 trillion of revenues. You adjust things and make sure that you could stay as progressive as you are or make the tax code more progressive at the same time.

So you shouldn't be dissuaded just because the tax itself could be regressive. You have a lot of dials and levers to move there. Well, and I want to, we only have two minutes left, but I did want to ask you about those dials and levers. And I mean, you mentioned, you know, the different uses of the revenue, I mean, in terms of potentially creating new programs. I mean, that's the way that a lot of people get politically interested in supporting a carbon tax.

But then you also want to make sure that you're reducing debt. That's your interest. So how do you get those dials and levers right? And how do you get those dials and levers right so that it's politically feasible but also makes for good policy? And if you have a 1 minute answer to that really complicated question, that would be great.

So the more we give away, the farther we are from bringing our debt to a manageable level that increases the risks of economic calamities, not being prepared for future crises, vulnerabilities and geopolitical issues. All those things. We have to do it. If you don't get it through a carbon tax, you're going to get it through other taxes and or spending cuts. Like you just have to get the money.

So we should get it from smart places. My belief is sweeteners should be really small, but things that make people excited and the ability to pay down the debt should be as large as possible because the problem is that large because we have kicked the can down the road for not years, but decades. Okay, Alex, I want to ask you one other question to close it, if that's okay. It's actually two questions. One, what should we looking for in the weeks and months to come to see, you know, to get a signal of how these things are playing out and then for everybody who's on this, on this webinar who might be used to talking about climate or carbon price to democrats, to the climate concerned, what is your message about how to talk to Republicans about this?

Do you have any sort of quick takeaways? So I think the thing to watch is what happens with the IRA, with the middle income tax cuts, extensions. That bill right now scores, I believe, at $4.6 trillion over ten years. What do the politicians, if they say we have to do that revenue neutral, that means there's going to have to be $4.6 trillion in new revenue over the next decade. It's that calculation about the top line.

And as the way I talk about it with Republicans is we're not talking about a political deal here. We're talking about a climate and economic necessity here. This is just, we have a math and numbers problem. We need to put forward the best solution to that math and numbers problem. A carbon tax is the most efficient way to drive reductions in emissions.

It is also a very powerful way to generate revenue to help us address our fiscal issues. This is not fancy political deal space. This is necessity space at this time. Wow. Okay.

So that was a very quick half hour. There was a lot we could have touched on. But thank you both, Alex and Maya, for the great conversation. Glad to pass it off to Alden Meyer at E 3G. Thanks a lot, Justin.

That was great. And thanks, Alex and Maya, for a very stimulating discussion. And we'll try to build on this. I know you're hopefully going to be able to stay on and hear the conversation here, so we'll get that going. Somehow my video keeps turning itself off.

My name is Alden Meyer. I'm a senior associate with E 3G. I'm actually here at the climate negotiations in Bonn, Germany, and I realized I was wearing one of my favorite lanyards for my badge here, which is a lanyard from Durban, the Durban cop in 2011 with Nelson Mandela's famous saying that it always seems impossible until it's done. And it seems like that's appropriate for this conversation in some kind of way. So now I get the fun task of bringing in three colleagues and friends.

George Birakis, president of the Young Conservatives for Carbon dividends. And I think the title gives a lot away. You know what? George is in favor of Christina Dicansini, a longtime friend, director of government affairs at World Resources Institute, and Rob Shapiro, who is founder and chairman of Sonicon and also was a former under secretary of commerce during the Clinton administration. So I'm going to ask each of them to give just a few minutes of reaction to what they heard from Alex and Maya.

Do they think it makes sense? Do they have real concerns or questions about it? Anything they'd want to augment or contradict? And then we'll have a lively conversation amongst the four of us. So I'm going to start with George and George, as a young conservative and someone that's in favor of carbon dividends, do you think the kind of bargain that Maya and Alex laid out makes sense and has prospects for next year?

Thank you, Alden. And, yeah, thanks for the great conversation. Alex and Maya, really insightful. And this is something that we've been thinking about for quite a while, the kind of grand bargain that'll need to likely come in place for the US to enact carbon pricing. I think where I want to start is actually sort of adding an additional pillar onto this discussion in terms of additional pressure that could come into place that could also grease the wheels for carbon pricing.

And it's sort of related to both climate and fiscal considerations and I think is very kind of live on the hill right now. And I think it's important to mention, and that's sort of the global geopolitical sort of conversations that could also grease the wheels for carbon pricing. And there's sort of a few different aspects of that. The first, perhaps most important, is the fact that the European Union's CBAM is going to be coming into place officially in the beginning of 2026, assuming no other delays. And at this moment, the indications are that the US is not going to be receiving special treatment.

You have folks like Senator Whitehouse and a number of others who believe that this is a. A forcing moment for us climate policy, because it will, you know, in the year 2025, the US will either mount a legislative response to a CBAM that sort of touches on or gets close to some kind of carbon pricing, perhaps carbon pricing at the border only. Or, you know, come 2026, we will start to see, you know, potentially significant implications for the US economy and for consumers and businesses, which could be quite negative. So you have the CBam coming online. You also likely have other cbams coming online in the future as well from the UK.

I think there's a view that once the EU sort of opens up this pandora's box, that there will be other global policy mechanisms that could really take advantage of the fact that the US is an outlier in this regard and could do significant sort of, that could be a liability for us going forward. So you have that additional pressure, the fact that we're a kind of carbon pricing outlier, could actually be to our detriment as we sort of continue through the get into the, then the third sort of consideration, which is not necessarily tied to climate, is this growing imperative for the US to do something to tackle the issue of a rising China. And you've seen a lot of discussions that we've been involved in on Capitol Hill with republicans really interested in Seabam type mechanisms, concrete economic mechanisms, which, again, are sort of bordering on carbon pricing. Some of them you could consider more to be authentically carbon pricing than others, but nonetheless, an acknowledgement that there needs to be economic, sort of concrete economic mechanisms to take on China, and that pollution based pricing instruments could be an important part of that, of a strategy to do that. And so I think that the way I think about this is those kind of three pressures together, the climate, the fiscal and the geopolitical, are really the big sort of trifecta.

And that each of those could come to roost in their own ways in 2025 and potentially altogether, as Alex and Maya mentioned, on the climate and the fiscal side. And I think it's also worth mentioning that if a deal doesn't come into place into 2025, each of those pressures is also going to outlive 2025. And there's going to be pressure for many years going forward. As I think everyone probably recognizes on this webinar, the fiscal issues that our country is facing are not just going to go away by themselves. It's going to require action.

And if that action doesn't come in 2025, there are fiscal cliffs coming as we get into the later twenty twenty s and two thousand thirty s. And as Alex mentioned, which I think is perhaps an underrated aspect of this, the potential for numerous climate risks that are growing to also quickly change the political conversation. Not to take too much time here, because I know that we want to get some other folks in, but I'm actually quite optimistic about the prospects for these three converging pressures to open up the space for a deal. I think there are other reasons beyond the three pressures to be optimistic as well. I mentioned the sort of growing republican support for this broad idea of dealing with the externality of pollution.

You have folks who could be staffing a next Trump administration who are big carbon pricing supporters. That's an opportunity for us to help demonstrate the conservative support for this idea that will be critical to getting it over the finish line. And just to close. I think that this is a moment where the carbon pricing community, and I would say the broader community of folks who recognize the imperative to deal with these major challenges. This is a moment where we ought to double down and go on offense, and we can't wait for the momentum just to materialize and for, you know, suddenly everything will come into place and there will be legislation.

It'll be too late at that point. We have to create the momentum. And for too long in the Washington environmental community, I think there's been a kind of skepticism that's sort of overridden all other considerations, and that's become given folks, a reason not to even try on carbon pressing or to write it off completely. And I would say that we need to move our, shift our headspace away from that and into a headspace about what each of us can be doing to sort of help pry open these, these legislative windows that are presented to us, because if we don't try open, they won't open by themselves. Thanks a lot, George.

And thanks for broadening the aperture out to include the carbon border adjustment mechanism and the China dynamic. I think that's useful. So, Christina, you've been spending a lot of your time up and around Congress for the last many years, and I know you were involved in the Waxman Markey initiative with carbon pricing back in the day. What's your take on this? And particularly, I think Maya and Alex were coming largely from an assumption that this would be driven by conservatives who wanted the Trump tax cuts extended.

That's one scenario. There's obviously other scenarios depending on the November 5 election. Is this fiscal and climate deal viable and robust across a number of scenarios, or is it tailored more to one particular outcome? Okay, well, thank you so much. And thank you, George and Maya and Alex as well.

And Justin. So I have been working for a price on carbon for a fairly, really long time and seen a lot of iterations of it. And I think that a couple things. First is I resonate very strongly with Alex's remarks, and George said the same about the modeling and how disastrous our future is going to look and that we're nowhere near meeting any of our targets. And so I think that we actually need the climate advocate community to grasp this more thoroughly, that we can't do this incrementally with some regulations, which I'm not against the regulations, but if you know anything about what the courts are up to in the United States, some of those will stick, some won't.

And I don't see a way forward to get anywhere near the kind of emissions reductions we need by tinkering at that level, even though it doesn't mean I won't be supporting those. But I just don't see that that's going to get us where we need to go. I also very much appreciated George bringing up CBAM because that is an external force that's in play now that wasn't previously. And I think that that is the area where this could, could become bipartisan. I noticed that the title of this is bipartisan, but Alex was talking a lot about reconciliation, which is not, is usually a very partisan approach.

And I believe that that probably has, if I were to bet, the biggest chance of success. But who knows, because it's going to depend a lot who's controlling the House and Senate and the White House on that, on the fiscal conversation. I agree with every sentence that Maya said about what a problem this is, how we don't like to do difficult things, how we need to do difficult things. But I am far more skeptical than she and Alex are that this, that is going to be a huge driving force. Because when you talk about Republicans and fiscal conservatism, that it really doesn't match the reality.

Historical trends and data show very clearly that when Republicans are in charge, they drive up the deficit way more than Democrats. This has been a trend that's factual and been going on for decades. And it's primarily because Republicans want to cut taxes and then, you know, Democrats want to raise taxes on wealthy people. So I and Maya also mentioned that there's a small group of people that actually care about the deficit and don't just change it on political winds. And so I just, I'm just not holding my breath.

And I. And I'd be delighted to be wrong. Delighted to be wrong. But I'm not holding my breath of that little tiny cabal of people that actually care about this. And they don't just say it like when they're not in charge and they don't want spending from the other side.

Now they're really wrapped up about deficits, but the second they're in, they run up the deficits more than anyone ever with tax cuts. So.

But having said that, I do think it is, the fact that these tax cuts are going to expire is good news in the terms of it will force some kind of conversation about what to do. I'm just not assured that it will become some bipartisan agreement around a carbon tax and for reconciliation. You've got to have one party in control that wants to run with that.

So we don't know what will happen until we see the elections results. But it's not a secret that Senator Whitehouse is saying very loudly that if there's a democratic trifecta, again, I'm not thinking that's super likely myself, but that he's going to stay put on the budget committee, not go to EPW. Exactly for this because he wants to do a price on carbon through reconciliation. So anyway, I guess that's what I've got to say, is that I, in my heart, totally agree with the fiscal approach to this. But my political judgment and political self that has been working on these issues for a long time am somewhat skeptical that that will actually be the driving force.

And I'd be delighted to be wrong. We wri, we want a carbon tax. Any which way we can get one. We've been working on it forever. We'll support whatever can get us here because we know the imperative for dealing with this climate emergency that we're truly in.

We've got to do something significant. Oh, one other thing. I wanted to say that I really appreciated many speakers saying that, and I agree with this. Even if you start at a low number and it's going to escalate slowly, you will create such market forces on people because they will know what's coming down the road, and that is what businesses want. They want consistency.

They want to know what's going to be happening. So I just, that's more like of a detail. But anyway, with that, I'll turn it over to rob. Thanks a lot, Christina. And let me just tell people watching the webinar, if you have questions for the discussions, please do put them in the Q and A.

And if we've got some time at the end, we'll try to bring a few of those in. So, Rob, as I said, you were undersecretary of commerce in the Clinton administration. You were legislative director for Daniel Patrick Moynihan, one of the sharpest bulbs in the Senate in his time. You've advised other democratic administrations. What's your take coming from a democratic or progressive perspective to what you've heard so far?

Well, I certainly appreciate Maya and Alex laying out this case very clearly.

Here are two proposals that many people, certainly, including myself, support. Economic incentives to induce businesses and households to shift to climate friendly forms of energy, and tax changes to reduce federal deficits. And let's not pussyfoot around the fact that a price on carbon is a tax. It is a tax on everything that uses energy, which is everything. With many others, I've long advocated carbon pricing.

I am also an old warrior on deficits, as Bill Clinton's principal economic advisor in 92, when he committed to balance the budget. And he did it and established fiscal terms for budget surpluses. And he did it by restraining defense spending and by raising revenues from high income people and by driving strong growth. So both policy goals here are sound and necessary, but binding them together doesn't work. Clinton, who managed the Kyoto agreement, who enacted the first climate technology program, who produced those large budget surpluses, he couldn't tie them together through a BTU tax, which was aimed at the deficit.

Even as he went on to secure more bipartisan agreements than any other president in any of our memories, he learned the basic lesson, that people will not pay more taxes in order to avoid future costs. It's hard enough to get people to pay more taxes to secure future benefits, which is the model of the 1983 Social Security reform. That's especially true of taxes that would raise the price of gasoline, heating and cooling, and indirectly, virtually all products and services, especially in a period in which many working and middle class families are struggling to get ahead or even just to maintain their lifestyle. A program that would raise prices by the equivalent of several thousand dollars per household is simply profoundly unrealistic. It is especially unrealistic in order to maintain large tax cuts for profitable corporations and high income people, the only taxes that the american public currently support raising.

It's also especially true when the goal is reducing deficits that most people now feel they can live with, even if that view is naive or illusory. That's the political reality. The way out of this box, the only way I can see is to put a meaningful price on carbon and then remove the sting by using the funds to make everybody whole again. That is, using the funds for rebates for every household. Putting a price on carbon is vital, but in my view, it cannot and should not happen by making most people poor.

Thanks, Rob. I think I put you down as skeptical, but. But, yeah, that was skeptical of either. Reducing the deficit but about linking them and certainly not a putting a price on car. Well, I'm glad you mentioned the BTU tax.

For people that don't remember, that was a roughly $25 billion a year proposal, I think all of which would go to reducing the general deficit. It wouldn't be targeted anything. And I remember talking with Senator Bill Bradley after it went down in flames in the Senate, partly because the treasury secretary, Lloyd Benson, didn't really support it. Former senator Benson and Senator Bradley said to me, well, if the Clinton administration was smart, they would have made it four times bigger, $100 billion. And they would have used the revenue to save Medicaid and Medicare and Social Security, and then they would have had AARP in the fight against American Petroleum Institute, and it would have been a fair fight.

So I think you have to look at the sort of interest group politics in all of this as well. There was a big debate inside about that. Yeah. Yeah, I'm sure there was. I'm sure there was.

And I know from personal conversations with Al Gore that that was a stinging defeat, which sort of colored their willingness to be bold on climate policy for the next eight years for a number of reasons. So I'm just wondering, based on what you've heard, George, from, from Rob and Christina, if you think this is the viable way forward. There's actually a question in the chat about should we be following the model that Canada's doing with its carbon tax, where the, the bulk of the revenues are rebated to the provinces and citizens, kind of like Rob was talking about. The problem, of course, with that is that you don't give politicians the ability to hand out the goodies, whether it's tax cuts for the, for the Republicans, for the wealthy and the corporations, or spending programs for the Democrats. So does this change your theory of the case at all from, from what you just heard from the two of them?

Well, I'm for throwing as much spaghetti at the wall in terms of any different pathway, any different policy design to get to the end goal, because I think, as Christina said, we have to get to some kind of pricing of carbon pollution, or else we will not deal with the climate crisis at the speed and scale that the science demands, and we will fail. So I'm for trying whatever could work with carbon pricing to get us there. There is a reality that you are going to have to put at least some of the revenue, whether it's 50%, 70%, 100%, or even less than 50%. That's a question of policy design that I think is not worth getting into here. You're going to have to put some of the revenue into rebates so that at least people in the lower income brackets come out at least even or ahead, because you don't want this to be regressive and to sort of create more division and potentially more, more challenges than it solved, than problems it solves.

And a dividend, which is something that we've been organizing around and think there actually is quite a bit of potential bipartisan support for, is a way to do that, offsets of other taxes are also a way to do that. Technically, the bills that Carlos Curbelo introduced when he was a member of Congress that would have repealed the gas tax, for example, which actually is a much more regressive. That's another sort of way of making sure that at least in part, folks on the lower income brackets come out ahead. But, you know, at the end of the day, I still think that this is the frame I think about this through is really through the imperative, right. There was someone whose name I won't mention, who served in the Obama administration who said that there are times when the science bends to the politics and there are times when the politics just need to bend to the science.

And this is a case of the latter. And we're just going to have to find a way to make this work. And I'm not saying that it's going to work in 2025 or that it will work at some date beyond 2025, or that what I'm proposing is the single answer that will make things sort of come to click. But what I think is true, and as the basis for this discussion, I think is appropriate to say, is that there are opportunities and windows, political and legislative windows and pressures in dynamics that are coming into play now that I think have not been as significant or as prescient as in the past. The Seabam is one example of that, as Christina mentioned.

I mean, that has not been a factor really until the past few years. And the worsening climate and fiscal risks as those worsen, I think they do have the potential to kind of turn this entire thing on its head in a way that it hasn't been before. And the last thing I'll say is, you know, as with all of the major legislative battles around challenging issues that have been viewed as intractable, it always looks like it's impossible. And alden, I think the quote that you had put up when you started speaking before is, makes sense. It always looks like it's impossible until it happens.

And I think that we're going to, when we're on the other end of this and we will have succeeded in getting the US to take the step of pricing carbon, I think we will look back and it'll look as if it was impossible and intractable right until the end and that something snapped and allowed the coalition to come together. It sounds trite and overly optimistic, and I don't mean it that way, but I think that I try not to drown in the skepticism because there's so much going against us here and just to try and find a way to continue pushing it forward any way we can. Thanks, George. And I see Rob wants to respond to that. And then I want to give Christina a moment to come in with any concluding thoughts before I turn it back to Danny.

Yes, I just want to say we know that there is a path, or we believe there is a path to putting a price on carbon, but to get that accepted, it cannot make 120 million households struggle even harder. And it's remarkable to me because we haven't. We also have a very available way to reduce the deficit through the expiring tax cuts, and in particular the expiring tax cuts for high income people, which the country supports.

And we should reconsider the reduction in the reduction in the corporate rate. The economy did fine with a 35% corporate rate, which was actually an effective tax rate of about twelve to 15%. Depending on how you figure it. The effective tax rate now is seven to 8%. So we have available ways that the public supports and a way to take the sting out of carbon taxes.

Trying to marry these together increases the sting, and I think is politically very unrealistic. Okay, thanks, Christina. What are your thoughts? Well, I mean, I said before, I think it's very politically unrealistic, too. That was in my opening statement.

I just don't see the politics of these things aligning because I don't see the people care very much about the deficit and more in any realistic way. And more importantly, we're going to have to do a lot of rebating to keep people whole on this. And it was very interesting. I think that Covid rebates was a wonderful example to see that we actually could do. That was one of the proposals.

But I always thought, I wonder if the us government could pull that off. But they did pull that off, and it was very popular with people, and people liked it a lot. And that produces sort of the carrot part of the stick. That may be the way to thread that forward. But I do see this as going to be very difficult if it's bipartisan, because the Republicans do want to have increasing tax cuts for the wealthiest people and the largest corporations in America, and they consistently have been.

They've been very united on that, very aligned. And it's caused a lot of the deficit problems we have today. Because I did want to also, I really appreciate Rob saying that we did have a balanced budget in the Clinton administration, so it wasn't like 200 years ago or something. It has happened in like, sort of recent human history, so there are ways to do it if people have the political will, which doesn't seem to be the case now. So thanks a lot, Christina, and thanks a lot Rob and George as well.

I want to turn it over to Danny Richter, now the co director of the pricing carbon Initiative, to make a few concluding remarks. Thank you, Alden, and thank you everybody for being here. I don't know about you, but I thought that was great. We had some insider insights on the constraints, the external drivers, and the history of engagement around this issue. I found that all very thought provoking, and it's always more fun when there's a little bit of disagreement.

PCI aspires to be a place where those disagreements can be aired, shared, and we all still kind of like each other afterwards and even want to hang out. So I think there's is a big success. So on behalf of PCI, I want to close this webinar with a big thank you to c twoes for helping us put this on. Co host for this webinar, thank you to Nat for introduction of the event, Justin, Maia and Alex for your thought provoking questions and remarks in the first half hour. And thanks to Alden, Christina, George, and Rob for your contributions in the second half of the program and bringing in new considerations.

Finally, thanks to all of you for listening today. A webinar without an audience really isn't much of a webinar, so appreciate you for being here. Stay tuned for future programming from the pricing carbon initiative and from c two es so close by. Wishing you all a lovely Tuesday. Thanks again.