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Editorial: Putting a price on carbon

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Massachusetts residents care about climate change. We have a coastline and capital city vulnerable to sea-level rise, regular experience with extreme weather events, and a healthy respect for scientific consensus. A MassINC poll last fall found three-quarters of the state's residents think global warming is upon us, and that government should respond.

But with Congress paralyzed over the question of whether human-caused climate change even exists, what can one state do? Massachusetts has already taken some significant steps, committing to renewable energy development, joining a regional cap-and-trade system for electric power generation, and encouraging energy efficiency.

The next step is what many experts believe is the best way to put the power of the free market behind sustainable energy choices: Put a price on carbon. The energy market is flawed, the theory goes, because the full costs of fossil fuels -- air pollution, health problems and climate disruption -- are not reflected in the price. Raising the price for fossil fuels would level the playing field for alternative energy sources.

A bill before the state Legislature would do just that. Sponsored by Sen. Michael Barrett, D-Lexington, and backed by a growing coalition of environmental, energy and business groups, the bill is an excellent place to begin an important discussion.

Barrett is quick to note he is proposing a carbon fee, not a carbon tax. The point is to change consumer incentives, not raise money for government operations. All the money collected would be returned to individuals, companies, nonprofit organizations and government agencies.

Here's how it would work: Carbon fuels would be hit with a fee when they cross the border, beginning with $10 per ton of carbon dioxide emitted and rising by $5 each year for up to seven years. The impact would initially add roughly 9 cents to the price of a gallon of gas, for instance, rising to 35 cents per gallon over time. All the money collected would go into a trust fund that can be used for no purpose other than energy rebates.

Rebate checks would be sent to residents -- perhaps in advance of their spending on fuel -- according to a fairly simple formula: A portion of the total collected would be divided by the population, with each individual getting the same rebate. Those living in rural communities where driving is 30 percent above the state average would get a bonus rebate. Companies would get rebates according to a formula based on the number of employees.

Obviously there will be winners and losers in this rebate scheme -- it doesn't try to make every energy user whole. The point is to provide an incentive to consume less carbon, phased in over seven years to give people and companies the chance to adjust. Electricity, which is already regulated under the Regional Greenhouse Gas Initiative, would not be part of the carbon fee system.

Carbon fees are a new idea in the U.S., but a familiar concept in other countries. Barrett's proposal is modeled on a revenue neutral carbon fee adopted in 2008 by British Columbia, which has since seen a 16-percent reduction in its carbon footprint. The dividends go beyond reducing greenhouse gas emissions, advocates say. The program will further stimulate the state's green energy sector, which is among the fastest-growing corners of the Massachusetts economy.

Barrett's bill faces a long road to passage. It will take time for people to understand how it works, weigh who would benefit and adjust its provisions as needed. A public hearing is expected this fall, which will help get people engaged in the topic.

It's a discussion worth having. Climate change won't wait for Congress to show leadership. Where better than Massachusetts, birthplace of innovation, to launch an aggressive response to the threat of climate change?