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Testimony by State Senator Mike Barrett on S. 1747, *An Act combating climate change*
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The Internet site *Buzzfeed* is heavy on numbered lists. Two lists I noticed this morning are **16 Scary Movies You Have to See Before You Die** and **11 Moments That Make Your 20s Worthwhile**. So, courtesy of BuzzFeed, here are **9 Things to Know about Carbon Pricing** -- in the case of S. 1747, *9 things to know about carbon fees*:

1. This is really about a single idea: *If you start posting a complete price for a product that is underpriced today, people will react to the complete price by using less.* That's it -- carbon pricing in a nutshell. Massachusetts can lead the nation in the fight against climate change by applying this one concept to fossil fuels.
2. What we don't see reflected in fossil fuel prices currently are their associated health and environmental expenses. Today we can compute these expenses ("the social costs of carbon"), add them to what we charge, and come up with a full, honest price for products made from coal, oil and natural gas.
3. Factoring in health and environmental expenses to the prices of gasoline and home heating oil and such can be a heavy political lift. To make this work as public policy -- to make it work as politics -- S. 1747 rebates all the money collected to consumers and businesses. The term for this -- "revenue neutrality" -- is kludgy and at first does not resonate at all. But once the public realizes that "revenue neutral" boils down to the idea that you can price carbon -- can price pollution -- without hitting people with a regressive tax, "revenue neutral" catches on.
4. A tax, according to the Massachusetts Supreme Judicial Court, generates revenues that go to funding the general operations of government. Whereas exactions that go into a separate trust fund, so long as they are rebated in full back to the public at regular intervals, are not taxes under Massachusetts law. They are fees -- in this case, user fees on pollution.
5. People are price-sensitive. That's why so many of us worry about copays and deductibles in health care. We react to higher prices by finding ways to consume

less. So let's harness this law of economics -- it's almost a law of human nature -- in order to enlist everyone in Massachusetts in the fight against climate change.

6. S. 1747 phases things in, carefully. For the first year of its effect, the bill sets a fee of just \$10.00 a ton of carbon dioxide equivalent, about nine cents a gallon on regular gasoline. \$10.00 a ton is not the social cost of carbon -- it's well below it -- but since carbon pricing will take getting used to, we want to avoid sticker shock. Fees increase \$5 a year until they reach \$40.00 a ton, which gets us pretty close to the social cost of carbon.
7. In pushing back against fossil fuel underpricing, we need not resort to double pricing. For that reason, we do not propose to levy a carbon fee on electricity generation. Electricity prices are already regulated under RGGI. But, today, electric generation accounts for only 20% of Massachusetts' carbon dioxide emissions. We cannot make significant new progress against CO₂ without addressing the emissions that come from transportation and commercial and residential heating. As a state, we've already made great strides to increase energy efficiency, often in concert with electric power producers -- but this is not enough. Transportation and residential and commercial heating are the new frontiers we need to cross.
8. On carbon pricing, we have precedent to guide us. S. 1747 proposes that Massachusetts take the lead among the 50 states in putting a price on carbon, in the hope that Washington D.C. will someday make this national policy. But, meanwhile, the Canadian province of British Columbia offers us a close-by North American model on how to carbon-price. You'll hear more about BC's experience from some of the other wonderful speakers who will succeed me.
9. No question, Massachusetts needs more revenue. That's why I support the drive to put a constitutional amendment on the ballot in 2018 to make the state income tax progressive. But, as a separate imperative, we have to step up the fight against climate change. So here's the thing: by supporting S. 1747, Gov. Baker and legislative leaders can comfortably support carbon pricing -- without violating any no-new-tax pledges they might have made -- thus putting Massachusetts in a position to lead the nation. I implore this Committee to make headlines by reporting out the bill favorably, and I thank you all for listening today.