

**Testimony by Timothy Benson, Policy Analyst
Before the Rhode Island House Committee on Finance
Wednesday, May 17, 2017**

Good afternoon Chairman Abney and member of the committee. I thank you for the opportunity to speak today. My name is Timothy Benson, and I am a policy analyst at The Heartland Institute, a nonprofit, nonpartisan, national think tank headquartered in Arlington Heights, Illinois.

Enacting a carbon tax in Rhode Island would be a costly, wholly unnecessary mistake. A 2013 study by the National Association of Manufacturers estimated a \$20-per-ton carbon-dioxide tax in Rhode Island, which would be reached in 2020 under the proposed bill, would result in a 40 percent increase in the price of natural gas.¹ The study also estimated gasoline prices would be 20 cents per gallon higher and that there would be a 22 percent increase in household utility rates. Incredibly, all this is projected to occur in the first year.

The committee would do well to pay heed to the lesson of Australia's carbon tax, which was passed in July 2012. It mandated the creation of a tax of \$24.15 per ton of carbon dioxide emitted, which Rhode Island's own tax would overtake in just three years. This tax proved to be so costly and unpopular that it contributed to significant election losses for the country's Labor Party in 2013, causing them to lose control of the Australian Parliament. A full repeal of Australia's carbon tax occurred shortly thereafter.²

Another problem with a carbon tax is any environmental benefits that it might produce would be effectively meaningless without concomitant legislation enacted throughout the rest of the globe. In a December 2015 speech to the U.N. Framework Convention on Climate Change, former Secretary of State John Kerry said, "The fact is that even if every American citizen biked to work, carpooled to school, used only solar panels to power their homes, if we each planted a dozen trees, if we somehow eliminated all of our domestic greenhouse gas emissions, guess what—that still wouldn't be enough to offset the carbon pollution coming from the rest of the world."³ A state-based carbon tax would have even less impact on global temperatures.

It is likely for these reasons the U.S. public finds the idea of a carbon tax so unpopular. A September 2016 poll conducted by the Energy Policy Institute at the University of Chicago

¹ Ann E. Smith *et al.*, "Economic Outcomes of a U.S. Carbon Tax," National Association of Manufacturers, February 26, 2013, <http://www.nam.org/Issues/Tax-and-Budget/Carbon-Tax/2013-Economic-Outcomes-of-a-US-Carbon-Tax-Full-Report.pdf>

² Rob Taylor and Rhiannon Hoyle, "Australia Becomes First Developed Nation to Repeal Carbon Tax," *The Wall Street Journal*, July 17, 2014, <http://www.wsj.com/articles/australia-repeals-carbontax-1405560964>

³ John Kerry, "Remarks on COP21 and Action Beyond Paris," U.S. Department of State, December 9, 2015, <https://2009-2017.state.gov/secretary/remarks/2015/12/250502.htm>

and by the Associated Press-NORC Center for Public Affairs Research revealed 71 percent of respondents said they were unwilling to pay an extra \$20 month on their electric bills to combat climate change, although this amount is “roughly equivalent to what the federal government estimates the damages from climate change would be on each household.”⁴ Further, almost half the respondents, 42 percent, said they would be unwilling to pay even one extra dollar.

The renewable-energy sources that would be forced on consumers by this carbon tax are extremely expensive. A 2014 study by the Brookings Institution found wind power is twice as expensive as the conventional power it replaces. The same study found solar power is three times as expensive as conventional power.⁵ These higher costs impose real burdens on consumers of electricity, and that is why electricity prices in states with renewable power mandates, like Rhode Island, are rising twice as fast as the national average.⁶

At 17.01 cents per kilowatt hour, Rhode Island currently has the second-highest retail electricity prices in the continental United States, according to the U.S. Energy Information Administration.⁷ A 2016 *WalletHub* analysis also found at \$338 a month, Ocean State residents face the third-highest total energy costs in the country⁸, and the Tax Foundation already ranks Rhode Island’s business tax climate the country’s 44th worst.⁹ Simply put, a carbon tax would make everything more expensive for working families in Rhode Island, who are already pinched by the state’s high costs, leaving them less to spend and save – all without any guaranteed environmental benefits.

A carbon-dioxide tax would make everything more expensive for working Rhode Islanders, leaving them less to spend and save without any guaranteed environmental benefits. Lawmakers would be doing their constituents a favor by not pursuing such destructive proposals.

For more information about The Heartland Institute’s work, please visit our websites: www.heartland.org and <http://news.heartland.org>. You may also call John Nothdurft, Heartland’s director of government relations, at 312/377-4000 or reach him by e-mail at john@heartland.org.

⁴ “Energy and Climate Change in the 2016 Election,” Energy Policy Institute at University of Chicago, The AP-NORC Center, September 14, 2016, <http://www.apnorc.org/projects/Pages/energy-and-climate-change-in-the-2016-election.aspx>

⁵ Charles R. Frank Jr., “The Net Benefits of Low and No-Carbon Electricity Technologies,” The Brookings Institution, May 20, 2014, <https://www.brookings.edu/wp-content/uploads/2016/06/Net-Benefits-Final.pdf>

⁶ H. Sterling Burnett, “Pulling the plug on renewable energy,” *The Washington Times*, March 29, 2015, <http://www.washingtontimes.com/news/2015/mar/29/h-sterling-burnett-pulling-the-plug-on-renewable-e/>

⁷ U.S. Energy Information Association, “State Electricity Profiles,” accessed May 16, 2017, <https://www.eia.gov/electricity/state/>

⁸ Richie Bernardo, “2016’s Most & Least Energy-Expensive States,” *WalletHub*, July 13, 2016, <https://wallethub.com/edu/energy-costs-by-state/4833/>

⁹ Jared Walczak, Scott Drenkard, and Joseph Henchman, “2017 State Business Tax Climate Index,” Tax Foundation, September 28, 2016, <https://files.taxfoundation.org/20170302120920/TF-SBTCL-2017-Final1.pdf>