

## SB 6203: Despite high cost, proposed carbon tax would have delivered little environmental benefit

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*Editor's note: This is the second-part of our analysis of SB 6203, which died at the end of the 2018 legislative session. Although the bill did not pass this session, the ideas included in it are likely to return in the future.*

### Key Findings

1. Despite claims it focuses on CO<sub>2</sub> reduction, SB 6203 would spend half of the money on projects that do nothing to reduce emissions.
2. The effectiveness standards set by the bill are so weak, it is unlikely the bill would meet the CO<sub>2</sub> reduction targets.
3. Although the legislation includes effectiveness standards, the bill would make them secondary to other priorities like “environmental justice” and union requirements.

### Introduction

Is it worth it? Are we getting the most bang for our buck? Despite the high cost of the proposed carbon tax, some would argue it is worth it. The seriousness of the environmental threat, they argue, justifies the high cost of the new tax. The assumption, however, is that the carbon tax bill would actually achieve its goals, reducing carbon emissions to meet the targets supporters say are required to combat global warming.

Additionally, many carbon tax supporters who argue climate change is a crisis seem to be less concerned about whether their policies are effective, offering the most environmental benefit for every dollar spent. Instead, they are willing to sacrifice the goal of environmental benefit to other vague goals like “social justice,”

that take money away from environmental projects.

Despite unsupported claims that the proposed carbon tax would make Washington a “leader” on climate policy, in fact the bill would likely fail to live up to its promises, siphoning off money to special-interest priorities and using the money that remains wastefully.

Building on the previous cost analysis, this Legislative Memo examines what Washington state would get for that cost, to see if the proposed carbon tax bill would live up to its promises. Analysis shows the simple answer is “no.” The politics and structure of the bill make it virtually impossible for it to address the environmental problems it claims it would solve.

### Where would half the money go?

Senator Reuven Carlyle, the prime sponsor of the carbon tax bill, SB 6203, said in a TVW interview that the key to reducing carbon emissions is how government would spend the revenue it would receive from raising taxes.<sup>1</sup> Sen. Carlyle said, “how we spend those dollars is incredibly important,” arguing the spending would be necessary to “meet Paris-level [carbon-reduction] agreements.”

In practical terms, this means Washington would have to reduce CO<sub>2</sub> emissions to 40 percent below 1990 levels by 2035 to meet the targets of the Paris Climate Accord, or by about 53 million metric tons (MMT) of CO<sub>2</sub>. Could we meet those targets with the political approach proposed in this bill? The answer is clearly, “no.”

Only half of the money would actually go to the “Energy Transformation Account,” which would be used to fund CO<sub>2</sub> reduction projects. Ten percent of that account, however,

would be skimmed off to fund “environmental justice.” Another large portion would go to offset “lost revenue” for transportation projects, and a final portion would go to administration of the program.

The other half of the money would go to a number of funds for “Water and Natural Resources,” assistance for those who lose their jobs or are impacted by the carbon tax, and “Rural economic development.” Although some of the projects funded by these accounts would be tangentially related to CO2 reduction, they often would have only a slim connection to the legislation’s purported goal.

### **Bill would do little to reduce emissions**

For example, although the Rural Economic Development Account mentions “low carbon innovation and entrepreneurship,” the bill only says the Department of Commerce “may include support” for those types of projects. Additionally, the types of projects mentioned, including “encouraging telecommuting by funding the expansion of broadband and telecommunication services,” have only a theoretical connection to CO2 emissions. In fact, there are no metrics to measure success for these funds.

Additionally, much of the funding in the legislation would have to meet the standards of “environmental justice,” outlined in Section 502 of the bill. Written broadly to include a wide range of potential concerns, the ultimate decisions would be made by a panel of special interests.

Spending on CO2 reduction plans would have to demonstrate that “all funded activities within the clean energy investment plan were developed using the cumulative impact analysis in section 502 of this act and that expenditures prioritize highly impacted communities.” If a project were effective in reducing carbon emissions but was not consistent with “environmental justice,” it might not be eligible for funding.

As a result, even though only half of the funding in the bill is dedicated to achieving the bill’s purported goal, even that funding would be hamstrung by other requirements

that supersede effectively cutting CO2 emissions.

Finally, the bill makes a vague promise to “provide general property tax relief” from the Transition Assistance Account. This language was added as an amendment in the Senate Ways and Means committee, but “property tax relief” is not quantified or defined.

Rather than making CO2 reduction a priority, it would have to compete with “environmental justice,” property tax relief, transition assistance, rural development, natural resources funding, and administration costs. That, however, is not the only problem the bill faces in meeting the state’s self-imposed CO2 reduction targets.

### **Spending a dollar to get a dime’s worth of benefit**

With so much money to be spent on projects that would not reduce CO2 emissions, it would be even more important to spend the remainder of the money wisely. Unfortunately, the bill would fund projects that would be expensive and ineffective.

Currently, there are technologies that can reduce one metric ton of CO2 for a cost of about five dollars. Green-e is a widely recognized organization that certifies carbon-reduction projects, ensuring they actually produce promised reductions in CO2. Companies audited by Green-e run projects that reduce one metric ton of CO2 emissions for as little as two dollars. By way of comparison, however, the carbon tax bill would allow spending up to \$100 to reduce just one ton of CO2, or about twenty-times the cost of what is available.

Additionally, not every project will go exactly according to plan. The wording of the bill itself admits this is the case, specifically calling on the Department of Commerce to audit projects and, if necessary, recover money that did not achieve the policy goal. This caution is wise. The history of the results of

government-funded projects is extremely poor. We have provided many examples in the past.<sup>2</sup>

These extremely lenient standards for producing results would make it very difficult to meet the strict emission-reduction targets of the Paris Climate Accords.

In 2015, the most recent year on record, Washington state emitted 98.3 million metric tons (MMT) of CO<sub>2</sub>. There is disagreement about the current direction of the state's emissions. As the economy recovers, emissions have increased every year for the last three years, jumping by three percent between 2014 and 2015.

The Department of Ecology, however, projects that in 2018, Washington state will emit only 93.5 MMT, in part due to the increased requirement for renewable energy that was adopted in 2016. This is a pretty significant drop, however, and the last time we saw that kind of reduction in CO<sub>2</sub> emissions was in the first year of the Great Recession.

Ecology's projection makes it easier to hit the CO<sub>2</sub> reduction target because we get a head start toward the goal. To meet Ecology's projections would require the same CO<sub>2</sub> emissions reduction between 2016 and 2018 that we saw during the economic downturn. This seems unlikely.

As a result, even if SB 6203 worked as promised, it is unlikely the state would meet the CO<sub>2</sub> reduction targets of the Paris Climate Accord. If state spending cost an average of just \$50 to reduce one metric ton (MT) of CO<sub>2</sub>, we would only achieve about 42% of the cumulative CO<sub>2</sub> reductions necessary by 2035, assuming the state's CO<sub>2</sub> emissions are closer to the 2015 levels.

At \$30 per MT, we would only get 70 percent of the necessary CO<sub>2</sub> reductions. Even spending only \$20 to reduce one metric ton

of CO<sub>2</sub>, we would still fall short, achieving 98 percent of the necessary emissions reductions.

Put simply, even though the bill would allow the state to spend \$100 to reduce one MT of CO<sub>2</sub> emissions, it must become five times that efficient with its spending to hit the CO<sub>2</sub> reduction target set by the bill's sponsor.

## Conclusion

The carbon tax proposed by SB 6203 offers a case study in why so many political environmental solutions fail to deliver promised environmental benefits.

First, the sponsors needed to raise the threat level of a problem to justify dramatic action. By calling climate change an "existential threat" – something that threatens our very existence – SB 6203 does that by citing purported threats to the state. Science and data undermine the exaggerated claims, but the goal is to raise the threat level to create a crisis mentality.

Second, basic legislation is drafted to address the problem that attempts to placate expected opponents while keeping the most radical supporters on board. The bill would exempt huge numbers of industries, would allow utilities to keep control of the taxes they would collect, and would make hundreds of millions of dollars subject to standards set by a board made up of special interest groups.

Third, projects are chosen based on politics, not on effectiveness.

To the credit of the bill's authors, they do include a metric of environmental effectiveness, measuring how much CO<sub>2</sub> reduction is achieved for each dollar spent.

The proposed standards, however, are extremely lax. They would allow funding for projects that would be extremely ineffective. Additionally, those metrics are further undermined by placing other priorities in front of effectiveness, including preferences for special interest groups.

Fourth, accountability in the bill is very low. Although SB 6203 would allow the Department of Commerce to recover money that does not deliver promised results, it would

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<sup>2</sup> Todd Myers, "Washington State's Failed "Energy Freedom" Loans Are 0-for-3, Risking \$4.4 Million in Taxpayer Funds," August 26, 2013, <https://www.washingtonpolicy.org/publications/detail/washington-states-failed-energy-freedom-loans-are-0-for-3-risking-44-million-in-taxpayer-funds>

not require it. As a result, those proposing projects have an incentive to claim benefits that are extremely speculative in order to receive the initial funding, while worrying about real results later, or never.

Fundamentally, SB 6203 takes the wrong approach to helping the environment. Rather than recognizing that individuals know best how to become more energy efficient in ways that suit their lifestyle, honor their freedom, and are effective, the bill would take money and power away from people and put it in the hands of bureaucracies, politicians, and lobbyists.

In fact, one lobbyist praised the way the bill was written, saying legislators listened to the concerns of lobbyists. For the vast majority of people in Washington who do not have lobbyists working for them, that is a problem, not a benefit, of the bill.

Despite the disturbing rhetoric about climate change being an existential threat, Governor Jay Inslee and other carbon tax supporters argue we can only act if taxes are raised. Rather than being our first priority, this demonstrates that climate change is their last priority, because they are unwilling to transfer funding away from any existing project to address an “existential threat.”

It is time to rethink our approach to environmental sustainability. Washington state needs to move from a bureaucratic and regulatory mindset, to one that embraces innovation and the power of individuals to find creative and effective ways to protect the environment by doing more with less.

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