**Name of Project**

Brookings’ Further Work on A U.S. Carbon Tax in the Context of Broader Tax Reform

**Project Contacts**

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**Grant Cycle**
April 1, 2013

**Amount Awarded**

$53,860

Purpose of Grant

This grant is helping support an initiative by the Brookings Climate and Energy Economics Project on designing a tax on carbon in the U.S. within the context of more fundamental tax reforms. This specific grant is supporting new research and analysis on the specific design features of the tax policy.

The Initiative is furthering the substantive discussion of both climate policy and tax reform in the United States. Findings are communicated to policymakers and stakeholders through written policy briefs, private communications, and public events. Brookings scholars are also collaborating with scholars at other academic and policy research institutions to maximize their productivity and impact.

Project Outline

The research this grant will support is contributing to a series of policy briefs and activities that are offering insights into the economic effects and environmental potential for a carbon tax in the U.S. The work is investigating how to link the introduction of a carbon tax with other tax reforms and environmental regulation reform in a way that increases the efficiency of both. In addition, the initiative has produced new analysis of the regressivity and other distributional effects of greenhouse gas charges, including by region and income class, and specific proposals to address the myriad tradeoffs in designing the policy. Some of the work is synthesizing existing literature, and some work involves new analysis.

Recent Progress

This grant has supported ongoing research and outreach on carbon tax design. Dr. Morris has completed a comprehensive paper (coauthored with Aparna Mathur at the American Enterprise Institute) on carbon tax design, soon to be released under the auspices of the Center for Climate and Energy Solutions. The paper, entitled “A Carbon Tax in Broader U.S. Fiscal Reform: Design and Distributional Issues,” examines the issues and options for designing a carbon tax in the United States. It reviews the rationales for a carbon tax in the context of broader fiscal reform, explains the design issues, describes the potential revenue and environmental benefits, and explores options for using the revenue. Outreach for this work has included numerous meetings with Congressional staff in key committees.

Dr. Morris has also advised EPA on the design of upcoming rules to control carbon pollution from existing power plants. The recommendations (available [here](http://www.brookings.edu/research/presentations/2013/11/07-carbon-pollution-epa-recommendations-morris)) explain the advantages of EPA allowing states to adopt state-level carbon excise taxes as an economically efficient means by which they can comply with their Clean Air Act requirements for greenhouse gas emissions. Outreach for this work includes a meeting with executive branch staff.

Drs. Morris and Mathur have recently completed a paper called “The Distributional Burden of a Carbon Tax: Evidence and Implications for Policy.” The paper will appear in a forthcoming volume called *Carbon Taxes and Fiscal Reform: Key Issues Facing US Policy Makers*, co-edited by Ian Parry, Adele Morris, and Roberton Williams.

Drs. Morris, McKibbin, and Wilcoxen have recently published a study comparing a carbon tax applied exclusively to the U.S. electricity sector and analogous carbon taxes applied broadly across the U.S. economy. The study is: “Pricing Carbon in the United States: A Model-Based Analysis of Power Sector Only Approaches,” with Warwick McKibbin and Peter Wilcoxen, *Resource and Energy Economics* 36 (2014), pp. 130-150.

Brookings scholars are also developing a new study under this grant support. The study will examine the costs associated with delaying GHG control measures and the economics associated with alternative policy approaches to make up for lost time. We have nearly completed the scenario design and are beginning the modeling work. A target date for an event to release the study has been set for the first week of June 2014.

Outcomes of the Project

The outcome of this grant and allied funding for the Brookings Carbon Tax Initiative includes policy briefs, academic research, and meetings and presentations to highlight new and synthesized analysis of combining a new greenhouse gas tax in the U.S. with changes in other taxes and pollution regulation. The policy briefs are written in non-technical language, accessible to a wide audience, and will be particularly targeted to policymakers. Other works will be shorter and focus on particular tax design issues. Academic papers will be written to inform and influence the peer-reviewed literature on these timely issues.

The dissemination strategy includes presentations, meetings and events, the media, online availability, and social media. The body of work will be repurposed for different media, which may include non-technical papers, academic paper(s) for submission to peer reviewed journals, a policy brief, blog posts, media memos, and other presentations.

Carbon Tax Initiative Scholars

The co-authors of the research and principal directors of the project are Adele Morris of Brookings and her Brookings colleagues Warwick McKibbin and Peter Wilcoxen.

Adele Morris is a Fellow in Economic Studies at the Brookings Institution, and the Policy Director of the Climate and Energy Economics Project (CEEP). She brings not only economic expertise, but extensive experience in government, including with the U.S. Treasury, the White House, the State Department, and Congress. In the Clinton Administration she was the Senior Economist for environmental affairs at the President’s Council of Economic Advisers and a lead climate negotiator. She joined Brookings from the U.S. Congress’ Joint Economic Committee.

Warwick McKibbin is a Non-resident Fellow in both Economic Studies Program and the Global Economy and Development Program at the Brookings Institution. He is also the director of the Research School of Economics in the Australian National University (ANU) College of Business and Economics. He will be a consultant to the project.

Peter Wilcoxen is a Non-resident Fellow in Economic Studies at the Brookings Institution, and an Associate Professor of Economics and Public Administration at the Maxwell School of Syracuse University and the director of the School’s Center for Environmental Policy and Administration. He will be a consultant to the project.