Carbon Fee & Dividend: The Basics

What is it?
Carbon Fee and Dividend (CF&D) is a market-based approach of addressing climate change. It places a steadily rising fee on the source of fossil fuels based on their carbon dioxide content, and this money is returned to American households as a monthly dividend.

According to the national-level plan — which would impose an initial $15/ton CO\textsubscript{2} fee that increases annually by $10/ton CO\textsubscript{2} — a family of 4 with 2 adults and 2 children would receive $288/mo in 2025 (if CF&D had been implemented in 2016), which amounts to $3,456 annually.

Benefits
+2.8 million jobs  
Cut emissions in half  
Avoid 230,000 deaths

In the first 20 years of its implementation, CF&D would reduce emissions by 51% of 1990 levels; create an additional 2.8 million jobs by increasing purchasing power of lower-income households, which stimulates the economy; and avoid 227,000 premature deaths due to air pollution.

Did you know?
CF&D has broad political and business support. Notable Democrats and Republicans alike support this plan, including NJ Senator Corey Booker and former President Obama, as well as former Secretary of State George P. Schultz and Secretary of the Treasury James Baker, who served under the Reagan administration.

Even oil and gas companies, such as ExxonMobil, BP, and Royal Dutch Shell, approve of CF&D because a growing carbon tax increases the predictability of reducing emissions, allowing companies to switch to cleaner energy.

A similar system has proven successful elsewhere. In 2008, British Columbia implemented a revenue-neutral carbon tax, similar to the CF&D system. As of 2014, the province had Canada’s lowest personal income tax rate and had reduced its fuel use by 16% since implementation of the carbon tax. B.C. now slightly outperforms the rest of Canada in terms of GDP per capita.

Currently, carbon fee and dividend has yet to be implemented in any U.S. state, although 15 states (CA, CT, MA, MD, NJ, NY, PA, UT, VT, and WA) have introduced or are introducing carbon tax bills into their legislature.