

**THE BAKER SHULTZ
CARBON DIVIDENDS PLAN**

BIPARTISAN CLIMATE ROADMAP

**ISSUED BY THE BROADEST
CLIMATE COALITION IN U.S. HISTORY**

CUTS U.S. CO₂ EMISSIONS IN HALF BY 2035

PROVIDES A FAMILY OF FOUR \$2,000 A YEAR

REDUCES UNNECESSARY REGULATIONS

PAYS FOR ITSELF

DRIVES GROWTH AND INNOVATION

COMPELS OTHER COUNTRIES TO FOLLOW

FEBRUARY 2021

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Signatories Include:

3500+ U.S. Economists

4 Former Chairs of the Federal Reserve

28 Nobel Laureate Economists

15 Former Chairs of the Council of Economic Advisers

Economists' Statement on Carbon Dividends

Global climate change is a serious problem calling for immediate national action. Guided by sound economic principles, we are united in the following policy recommendations.

I. A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future.

II. A carbon tax should increase every year until emissions reductions goals are met and be revenue neutral to avoid debates over the size of government. A consistently rising carbon price will encourage technological innovation and large-scale infrastructure development. It will also accelerate the diffusion of carbon-efficient goods and services.

III. A sufficiently robust and gradually rising carbon tax will replace the need

for various carbon regulations that are less efficient. Substituting a price signal for cumbersome regulations will promote economic growth and provide the regulatory certainty companies need for long-term investment in clean-energy alternatives.

IV. To prevent carbon leakage and to protect U.S. competitiveness, a border carbon adjustment system should be established. This system would enhance the competitiveness of American firms that are more energy-efficient than their global competitors. It would also create an incentive for other nations to adopt similar carbon pricing.

V. To maximize the fairness and political viability of a rising carbon tax, all the revenue should be returned directly to U.S. citizens through equal lump-sum rebates. The majority of American families, including the most vulnerable, will benefit financially by receiving more in "carbon dividends" than they pay in increased energy prices.

“Our plan strives to resolve the longstanding partisan climate divide. It begins with a carbon fee, which economists agree is the most cost-effective way to reduce emissions. I do not view this as a tax, because all the money is returned directly to the American people. Our plan also gets rid of growth-inhibiting regulations and pays for itself, further appealing to conservatives. All this makes it the most pragmatic basis for enduring bipartisan agreement.

James A. Baker III

Former Secretary of State and Secretary of the Treasury

“General Motors believes in an all electric, zero emissions future. We believe that climate change is real and that lowering emissions is both a social imperative and an economic opportunity. This Roadmap shows how businesses, NGOs and thought leaders can work together to advance real solutions.

Mary Barra

Chair and CEO, General Motors Company

“As one of the largest insurance companies in the world, Allianz is on the front line of managing the growing financial risks associated with climate change. Nothing could do more to reduce these risks than a well-designed price on carbon, which is why we support this Roadmap.

Oliver Bäte

CEO, Allianz

“This Roadmap outlines a common-sense policy framework to address climate change that will generate significant emission reductions, promote innovation and protect Americans from rising costs. We look forward to working with partners in the business and environmental community to advance smart, effective policy.

Jamie Dimon

Chairman and CEO, JPMorgan Chase

“We will never solve our climate problem unless environmentalists work together with Big Business and Big Oil. That is why the Climate Leadership Council’s coalition is so unique and why the release of its Bipartisan Climate Roadmap is such an important step forward.

Christiana Figueres

Former Executive Secretary of the UNFCCC

“Ford was founded on the belief that doing right by our customers and our business was the same as doing right by our planet. This Roadmap reflects our longstanding priorities by proposing a bipartisan, market-wide approach for combating climate change.

Jim Hackett

President and CEO, Ford Motor Company

“Carbon dividends is the climate solution where all sides win: it is pro-environment, pro-business and pro-American worker. That is why it is quickly becoming the inevitable bipartisan climate solution.

Ted Halstead

Founder, Climate Leadership Council

“Placing an economy-wide price on carbon will spur competitive markets to produce the most cost effective and environmentally responsible solutions. This Roadmap aligns with our core principles. We are proud to endorse it.

Thad Hill

President and CEO, Calpine

“ConocoPhillips supports the development of a carbon dividends plan based on the four key pillars of this Roadmap. These pillars align with our company’s view that a well-designed price on carbon is the most effective way to reduce greenhouse gas emissions across the economy.

Ryan Lance

Chairman and CEO, ConocoPhillips

“The world’s carbon budget is finite and running out fast. We need a rapid transition to net zero and a real price on carbon can help by incentivizing all of us, including BP. We are committed to actively advocating for well-designed climate policies, including carbon pricing, and are grateful for the Council’s efforts to make them a reality in the U.S.

Bernard Looney

CEO, BP

“In economic policy, there is nothing more sound than a program that corrects market failures, reduces regulation, is revenue-neutral and incentivizes all Americans to make better consumer choices. Our carbon dividends plan achieves all four.

N. Gregory Mankiw

Former Chair of the Council of Economic Advisers

“Climate change is an increasingly destabilizing force in the world, putting at risk our economic and national security interests. The U.S. should lead the way in addressing this problem, and the Baker Shultz Carbon Dividends plan is a great place to start.

Jim Mattis

Former Secretary of Defense

“This country is overdue for a market-based climate solution that works. An economy-wide carbon fee and dividend plan will compel companies to make strategic operational choices, incentivize investments in new technologies and give money back to the American people.

Curt Morgan

President and CEO, Vistra Energy

“The carbon dividends concept is revolutionary not only because it is good for business and the environment, but also because it aligns the economic interests of every household with climate progress.

Paul Polman

Chairman, International Chamber of Commerce

“At Total, we actively advocate for carbon pricing to support the energy transition. But carbon must be priced fairly. For this reason, we support this Roadmap, which creates clear incentives for consumers while redistributing resources to those with the lowest incomes.

Patrick Pouyanné

Chairman and CEO, Total

“The Bipartisan Climate Roadmap creates the right economic incentives and lets the market work to provide the most realistic path toward cutting U.S. emissions in half by 2035. It's a win for the environment, for business and for our communities.

Ginni Rometty

Former Chair and CEO, IBM

“Some fear that American climate leadership could undermine growth and competitiveness. Our carbon dividends solution turns these concerns on their head. Its four pillars add up to a powerful competitive and investment strategy that eliminates any risk of fiscal drag and makes the great majority of American families better off.

George P. Shultz

Former Secretary of State and Secretary of the Treasury

“It's well past time for the U.S. Congress to stop dithering on climate action and get down to business. This Roadmap provides a solid foundation for Members looking to develop ambitious, bipartisan climate legislation and provides a win-win for America's economy and climate.

Andrew Steer

Former President and CEO, World Resources Institute

“The current rules of global trade subsidize dirty manufacturing overseas. Our plan would level the economic playing field, enhance the competitiveness of carbon-efficient American firms and encourage other large emitting nations such as China and India to follow suit.

Lawrence Summers

Former Secretary of the Treasury

“The Climate Leadership Council's framework is a win-win as it empowers consumers to do their part to conserve energy and incentivizes businesses to innovate and adopt cleaner energy sources.

David S. Taylor

Chairman, President and CEO, Procter and Gamble

“Addressing the risks to our economy and national security from the changing climate is vital to the strength of our nation. The carbon dividends plan is a market-based approach that would result in reduced emissions, with the revenue returned to the American people.

Rob Walton

Former Chairman, Walmart

“We must end the cycle of on-again, off-again climate regulations, which is bad for business and the environment. Our Roadmap offers a far more cost-effective and environmentally-ambitious way forward, and the popularity of the dividends will lock in a lasting solution.

Christine Todd Whitman

Former Governor of NJ and Secretary of EPA

“Rarely have I seen this level of consensus in the economics field around a specific policy. That is because our carbon dividends plan offers the most cost-effective, fair and environmentally significant climate solution.

Janet Yellen

Former Chair of the Federal Reserve

FOUNDING MEMBER STATISTICS

TOTAL # OF COMPANIES:	26	MARKET CAP:	\$4.1 TRILLION
FORTUNE 100 COMPANIES:	14	ANNUAL REVENUE:	\$2.8 TRILLION
GLOBAL 150 COMPANIES:	15	WORKFORCE:	3.1 MILLION

SECTOR LEADERS

- ❖ Five oil and gas supermajors (BP, ConocoPhillips, ExxonMobil, Shell, and Total)
- ❖ Two of the largest automobile manufacturers in the U.S. (Ford and GM)
- ❖ Two of the largest global financial institutions (Goldman Sachs and JPMorgan Chase)
- ❖ Largest telecommunications company in the world (AT&T)
- ❖ Two of the largest household products companies in the world (P&G and Unilever)
- ❖ Largest health care company in the world (J&J)
- ❖ Largest insurance company in the world (Allianz) and largest U.S. life insurer (MetLife)
- ❖ Two of the largest technology companies in the world (IBM and Microsoft)
- ❖ Largest food and beverage company in the U.S. (PepsiCo)
- ❖ Largest solar company in the U.S. (First Solar)
- ❖ Largest utility in the U.S. (Exelon)
- ❖ Largest generator of electricity from geothermal and natural gas in the U.S. (Calpine)
- ❖ Largest competitive power generator in the U.S. (Vistra Energy)
- ❖ Largest mining company in the world (BHP)
- ❖ Largest engineering firm in the world (AECOM)
- ❖ Three of the largest environmental NGOs in the U.S. (CI, WRI and WWF)

PREAMBLE

Originally published in February 2020

The Founding Members of the Climate Leadership Council – representing the broadest climate coalition in U.S. history – believe that America needs a consensus climate solution that bridges partisan divides, strengthens our economy and protects our environment.

Over the past two years, this diverse coalition has worked together with the Climate Leadership Council to develop a bipartisan climate roadmap that addresses the legitimate concerns of key stakeholders in the debate and enables each to realize an important victory.

Our starting point is the carbon dividends framework introduced in 2017 by former Secretaries of State James A. Baker III and George P. Shultz, among other senior statesmen. This roadmap adds greater policy specificity to each of the framework’s main pillars.

The four interdependent pillars of our bipartisan carbon dividends solution are:

1. A gradually rising and revenue-neutral carbon fee;
2. Carbon dividend payments to all Americans, funded by 100% of the net revenue;
3. The streamlining of carbon regulations that are no longer necessary;
4. Border carbon adjustments to level the playing field and promote U.S. competitiveness.

This framework rests on the soundest of economic principles, endorsed by the largest and most prominent group of economists in the history of the profession. The Economists’ Statement on Carbon Dividends was recently published in *The Wall Street Journal*.

If implemented in 2021, our bipartisan solution would reduce U.S. CO₂ emissions by 50% from 2005 levels by 2035, while helping America’s businesses and workers get ahead. Approximately 70% of American families – including the most vulnerable – would be financially better off.

“If implemented in 2021, our plan would cut U.S. CO₂ emissions in half by 2035, while helping America's businesses and workers get ahead

Our plan would accomplish this through a series of grand bargains, including trading the most ambitious carbon price enacted by any leading emitter nation for regulatory relief, thereby appealing to environmentalists, businesses and conservatives at the same time.

Just as important, it would benefit the American people by rebating all of the net revenue raised directly to them. This would align – for the first time – the economic interests of working Americans with climate progress, thereby ensuring the plan’s popularity and durability.

The Founding Members of the Climate Leadership Council do not agree on every detail of the Council’s plan. But they agree that it offers a cost-effective, equitable and politically-viable roadmap for a much-needed bipartisan climate breakthrough.

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This roadmap represents the views of the Climate Leadership Council and not necessarily those of its Founding Members. References to the Economists' Statement on Carbon Dividends do not imply endorsement by its signatories of the policy details of this plan.

SUMMARY OF CARBON DIVIDENDS PLAN

I. A GRADUALLY RISING CARBON FEE

Economists agree that an escalating carbon fee offers the most cost-effective climate policy solution, sending a powerful price signal to steer businesses and consumers towards a low-carbon future. Accordingly, the first pillar of our bipartisan plan is an economy-wide fee on CO₂ emissions starting at \$40 a ton (2017\$) and increasing every year at 5% above inflation. If implemented in 2021, this will cut U.S. CO₂ emissions in half by 2035 (as compared to 2005) and far exceed the U.S. Paris commitment. To ensure these targets are met, an Emissions Assurance Mechanism will temporarily increase the fee faster if key reduction benchmarks are not achieved.

II. CARBON DIVIDENDS FOR ALL AMERICANS

All net proceeds from the carbon fee will be returned to the American people on an equal and quarterly basis. A family of four will receive approximately \$2,000 in carbon dividend payments in the first year. This amount will grow as the carbon fee increases, creating a positive feedback loop: the more the climate is protected, the greater the dividend payments to all Americans. According to the U.S. Department of the Treasury, the vast majority of American families will receive more in carbon dividends than they pay in increased energy costs. The popularity of dividends will help ensure the longevity of a bipartisan grand bargain based on these pillars.

III. SIGNIFICANT REGULATORY SIMPLIFICATION

The third pillar is the streamlining of regulations that are no longer necessary upon the enactment of a rising carbon fee. In the majority of cases where a carbon fee offers a more cost-effective solution, the fee will replace regulations. All current and future federal stationary source carbon regulations, for example, would be displaced or preempted. This regulatory simplification will be contingent on the continued presence of an ambitious carbon fee. Trading regulations for a carbon price will promote economic growth and offer companies the certainty and flexibility they need to innovate and make long-term investments in a low-carbon future.

IV. BORDER CARBON ADJUSTMENT

Carbon-intensive exports to countries without comparable carbon pricing systems will receive rebates for carbon fees paid, while carbon-intensive imports from such countries will face fees on the carbon content of their products. A well-designed system of border carbon adjustments will enhance the competitiveness of American-based firms that are more energy-efficient than their foreign competitors, while preventing carbon leakage and freeriding by other nations. This will put America in the driver's seat of global climate policy and encourage other large emitters – such as China and India – to follow America's lead and adopt carbon pricing of their own.

KEY BENEFITS

CUTS U.S. CO₂ EMISSIONS IN HALF BY 2035

If implemented in 2021, our plan would exceed the 2025 U.S. Paris commitment by a wide margin and achieve a 50% U.S. CO₂ emissions reduction from 2005 levels by 2035, according to modeling by Resources for the Future.¹ An Emissions Assurance Mechanism would help ensure these emissions reduction targets are met.

PROVIDES A FAMILY OF FOUR \$2,000 A YEAR

A family of four would receive approximately \$2,000 per year in carbon dividends under our plan. According to the U.S. Department of the Treasury, the vast majority of American families would receive more in carbon dividends than they pay in increased energy costs.² This aligns the economic interests of most Americans with climate progress.

“The more the climate is protected, the greater the dividend payment to all Americans. This aligns the economic interest of American families with climate progress.”

REDUCES UNNECESSARY REGULATIONS

The plan’s environmental ambition justifies trading a robust and rising carbon price for regulatory streamlining. This offers businesses the certainty and flexibility they need to innovate and make long-term investments in a low-carbon future. Ending the cycle of on-again, off-again carbon regulations would promote economic growth.

PAYS FOR ITSELF

A common concern is that solving climate change may be costly, requiring higher taxes and deficits. The Baker Shultz Plan, by contrast, is revenue-neutral. It would “finance” the transition to a low-carbon economy by incentivizing individual and corporate behavior and by leveraging the extensive resources of the private sector.

UNLOCKS INNOVATION

Nothing would do more to drive clean energy innovation than pricing carbon. To quote from the Economists’ Statement on Carbon Dividends, “A consistently rising carbon price will encourage technological innovation and large-scale infrastructure development. It will also accelerate the diffusion of carbon-efficient goods and services.”³

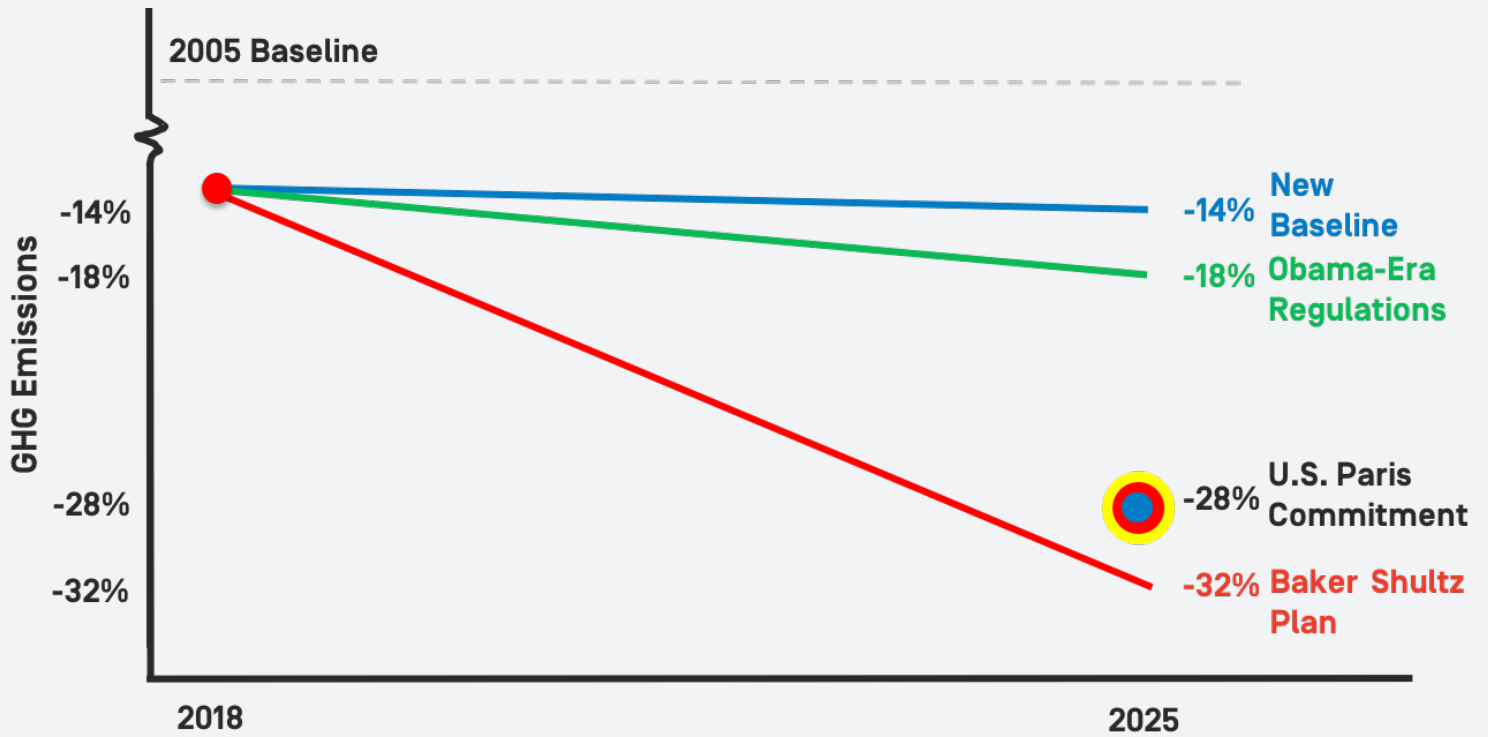
ENHANCES U.S. COMPETITIVENESS

Today’s system of international trade subsidizes less carbon-efficient manufacturing overseas. The combination of a national carbon fee with a well-designed border carbon adjustment system would reverse this pattern and enhance the competitiveness of American-based firms that are more energy-efficient than their foreign competitors.

COMPELS OTHER COUNTRIES TO FOLLOW

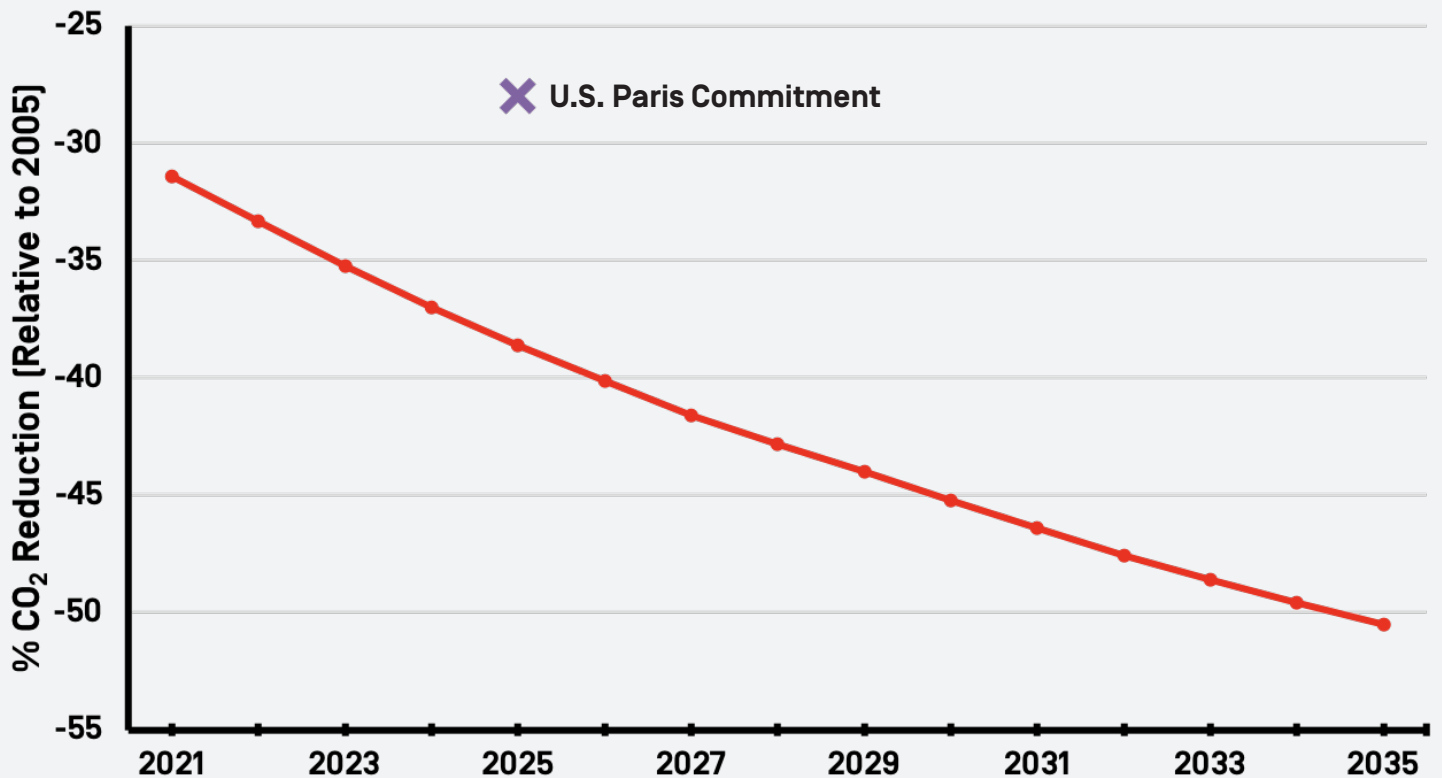
The Baker Shultz Carbon Dividends Plan would put America in the driver’s seat of global climate policy and establish powerful economic incentives to encourage other leading emitters – such as China and India – to follow America’s lead. To level the economic playing field, they would face fees on the carbon content of their exports to the United States.

Chart 1: GHG Emission Reductions of the Baker Shultz Plan vs. Other Policy Paths



Source: Bailey, David, and Greg Bertelsen. *A Winning Trade*. Climate Leadership Council, June 2018.

Chart 2: RFF Projected Energy-Related CO₂ Reductions from the Baker Shultz Plan [5% Escalation]



Source: Hafstead, Marc. "Analysis of Alternative Carbon Tax Price Paths for the CLC Carbon Dividends Plan." *Resources for the Future Issue Brief 18-07*. June 2018. Updated March 2019.

PILLAR I: A GRADUALLY RISING CARBON FEE

“A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future.”

Economists' Statement on Carbon Dividends

CARBON FEE DESIGN

- **Fee Base:** The carbon fee will cover energy and non-energy carbon dioxide (CO₂) emissions.
- **Initial Carbon Fee Rate:** The initial fee rate will be \$40 per ton CO₂ (in 2017 dollars).
- **Escalation Path:** The fee will escalate each year at a rate of 5% above inflation, consistent with achieving a 50% CO₂ emissions reduction below 2005 levels by 2035.
- **Points of Assessment:** The carbon fee will be implemented at the refinery exit or at the first point that fuels enter the economy, meaning the mine, well, port or local gas distribution company.
- **Non-Emissive Products:** Full or partial fee exemptions will be given wherever possible at the source (refineries, chemical plants, etc.) for non-emissive products.
- **Carbon Capture, Utilization and Sequestration:** Fee credits will be provided for defined permanent and additional CO₂ utilization and storage.

EMISSIONS ASSURANCE MECHANISM [EAM]

- **2035 Target:** 50% reduction of CO₂ emissions below 2005 levels by 2035.
- **Basis for Measurement:** The EAM will rely on annual emissions data, reported by the Energy Information Administration (EIA) by April of the following year.
- **Cumulative Emissions Path:** Compliance with the 2035 target will be measured on a cumulative CO₂ emissions basis.
- **Timing:** Beginning 5 years after the introduction of the fee, if cumulative CO₂ emissions exceed the target path, the carbon fee escalation rate will automatically increase.
- **Correction Mechanism:** In the first year after an EAM trigger, the annual escalation rate will automatically increase to 7.5% above inflation. If the emissions path targets are not achieved within 2 years after the introduction of the higher escalation rate, the annual escalation rate will be adjusted upward to 10% above inflation. Once emissions are back on track, the original 5% above inflation annual increase will be restored.
- **Post-2035 Emissions Targets:** A one-time reassessment could set a new emissions target and trajectory from 2035 through 2050. The default annual escalation rate of 5% above inflation will continue.

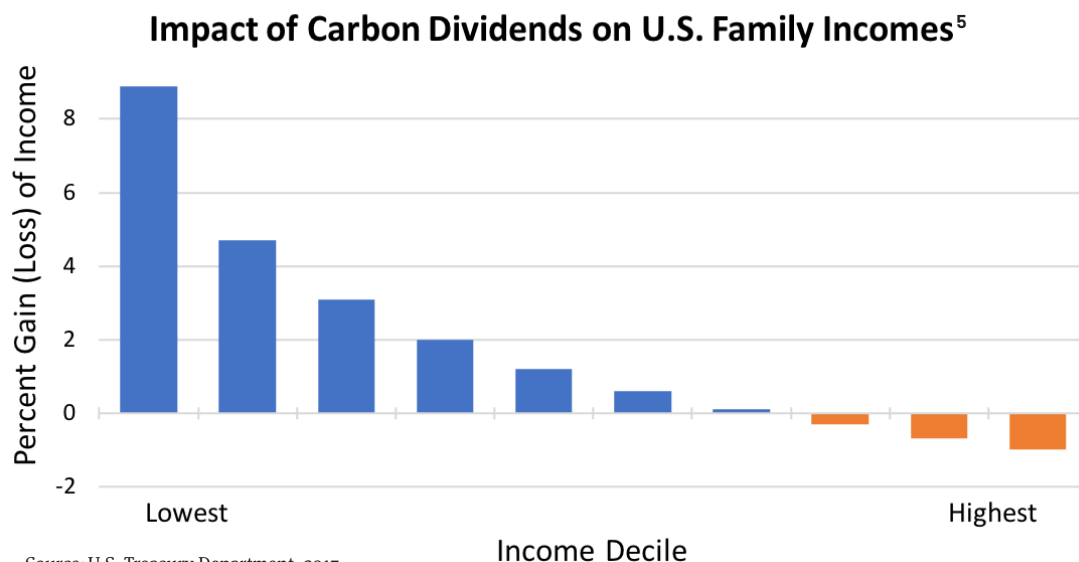
PILLAR II: CARBON DIVIDENDS FOR ALL AMERICANS

“To maximize the fairness and political viability of a rising carbon tax, all the revenue should be returned directly to U.S. citizens through equal lump-sum rebates. The majority of American families, including the most vulnerable, will benefit financially by receiving more in ‘carbon dividends’ than they pay in increased energy prices.”

Economists' Statement on Carbon Dividends

DIVIDEND DESIGN

- **Funding Mechanism:** 100% of the net carbon fee revenue will be returned to the American people in the form of dividend payments.
- **Revenue Neutrality:** All carbon fee revenue will be distributed through the dividend after accounting for administrative costs and direct costs to the federal government.
- **Administrative Authority:** The Treasury Department, along with the Social Security Administration and other relevant agencies, will administer the dividend.
- **Eligibility:** U.S. residents with a valid Social Security number.
- **Equal Dividends:** All Americans will receive an equal dividend.
- **Frequency of Payment:** Dividends will be paid on a quarterly basis.
- **Prepayment Provision:** The first dividend payments will be issued one quarter before the carbon fee goes into effect.
- **Anticipated Dividend Amount:** Designed this way, a family of four will receive a dividend of approximately \$2,000 per year from the first year of the program. This amount will increase over time as the carbon fee rate increases.⁴



PILLAR III: SIGNIFICANT REGULATORY SIMPLIFICATION

“A sufficiently robust and gradually rising carbon tax will replace the need for various carbon regulations that are less efficient. Substituting a price signal for cumbersome regulations will promote economic growth and provide the regulatory certainty companies need for long-term investment in clean-energy alternatives.”

Economists' Statement on Carbon Dividends

GUIDING PRINCIPLES FOR REGULATORY SIMPLIFICATION

1. Regulatory simplification will not alter the endangerment finding that underpins the EPA’s greenhouse gas emissions authority. Rather, the carbon fee and EAM will satisfy and displace the EPA’s obligation to regulate certain sources of CO₂ emissions. Regulatory simplification does not apply to non-CO₂ regulations.
2. All regulatory simplification is contingent on the continued presence of both a rising carbon fee starting at \$40 per ton (\$2017) and an Emissions Assurance Mechanism (EAM) to ensure that agreed-upon emissions reduction targets are met. If the fee or EAM is suspended or weakened, regulatory obligations would be restored.
3. In the majority of cases in which a carbon fee offers a more cost-effective policy solution, the fee would replace current and preempt future federal CO₂ regulations. Wherever a carbon fee does not offer a more cost-effective policy solution, regulations would remain in place or, in a few cases, be amended.

FEDERAL POLICIES

Policies to Suspend, Repeal or Preempt:

- All current stationary source CO₂ emissions regulations
- All future stationary source CO₂ emissions regulations
- Future federal low-carbon fuel standards
- Mobile source emissions standards for certain non-road vehicles (e.g. farm equipment)

Complementary Policies to Improve:

- Expand and improve legal framework and incentives for carbon capture, utilization and storage
- Expand and improve framework for bio-storage and negative emissions

STATE CARBON PRICING PROGRAMS

While states serve an important role as the nation’s laboratories of democracy, there is a strong economic rationale for a unified national carbon price. The Council will therefore work with state governments to explore options for harmonizing existing sub-national carbon pricing programs and other state carbon programs with the implementation of a federal carbon price.

PILLAR IV: BORDER CARBON ADJUSTMENT

“To prevent carbon leakage and to protect U.S. competitiveness, a border carbon adjustment system should be established. This system would enhance the competitiveness of American firms that are more energy-efficient than their global competitors. It would also create an incentive for other nations to adopt similar carbon pricing.”

Economists' Statement on Carbon Dividends

OBJECTIVES FOR THE BORDER CARBON ADJUSTMENT (BCA)

1. **Maximize U.S. Emissions Reductions:** Boost the emissions reduction potential of the carbon fee by applying it on an economy-wide basis, including to carbon-intensive imports.
2. **Enhance U.S. Competitiveness:** Level the economic playing field, prevent carbon leakage and enhance the competitiveness of American-based firms that are more carbon efficient than their global counterparts.
3. **Raise Global Climate Ambition:** Encourage greater climate ambition among trading partners by including traded carbon-intensive goods in the scope of carbon pricing, leading to the creation of a future carbon customs union.
4. **Place the U.S. in the Driver's Seat of a Global BCA System:** First-mover action by the U.S. will shape international rules governing trade and carbon pricing and thus the terms of future international cooperation.
5. **Ensure World Trade Organization Compliance:** Ensure compliance with existing WTO agreements in service of the objectives listed above, and avoid impeding international trade in goods and services.

BORDER CARBON ADJUSTMENT DESIGN

- **Application on Imports & Exports:** The U.S. will apply its domestic carbon price to carbon intensive imports and will rebate fees paid on carbon-intensive exports.
- **Covered Goods:** The BCA will apply to carbon-intensive imports and exports. A well-designed BCA can cover approximately 80% of traded carbon.
- **Attributable Emissions Scope:** The BCA will cover energy and non-energy direct CO₂ emissions and indirect CO₂ emissions associated with energy production and carbon-intensive intermediate goods.
- **Basis for Calculation:** The BCA will be calculated by multiplying the emissions described above by the U.S. carbon price when a good is traded across the border.
- **Double Taxation:** Imports and exports should not be subject to double taxation of their emissions. The Council will explore ways to ensure this is consistent with WTO compliance and administrative practicality.
- **Carbon Customs Unions:** The U.S. will seek carbon customs unions with major trading partners to create frictionless trade in covered goods.
- **WTO Compatibility:** The BCA will be designed to satisfy the WTO's non-discriminatory and most-favored nation principles and meet GATT requirements on subsidies and countervailing measures.

FINE PRINT

The Climate Leadership Council's policy framework is based upon several key assumptions.

Program Scope: The carbon fee is designed to apply on an economy-wide basis to all domestic fossil fuel combustion and industrial sources of CO₂ emissions and to the carbon content of carbon-intensive imports. Other sources of CO₂, like land use change, do not fall within the scope of this policy. The policy does not directly address other greenhouse gases.

Inflation: The carbon fee will escalate at an annual rate of 5% above inflation. The value of inflation will be measured by changes in the personal consumption expenditures price index (PCE) as reported by the Bureau of Economic Analysis. Each year, the carbon fee will be adjusted upwards 5% plus PCE. If the EAM is triggered, the carbon fee will be adjusted upwards at the EAM rate plus PCE.

Carbon Fee Notification Timing: The carbon fee and EAM trigger are dependent upon two federal data sources: annual CO₂ emissions data from the Energy Information Administration and PCE data from the Bureau of Economic Analysis. Necessary data will be reported out by April of the subsequent year. At that time, the carbon fee value for the following year will be publicly released. (For example, if the program goes into effect in 2021, emissions and PCE data will become available by April of 2022. At that time the carbon fee for 2023 will be announced.)

Emissions Assurance Mechanism Timing: Beginning 5 years after the introduction of the fee, if cumulative CO₂ emissions are above the target path, the carbon fee escalation rate will automatically increase. The potential year 5 trigger would be based on the first four years of emissions data, and any price change would be implemented in year 6 of the program.

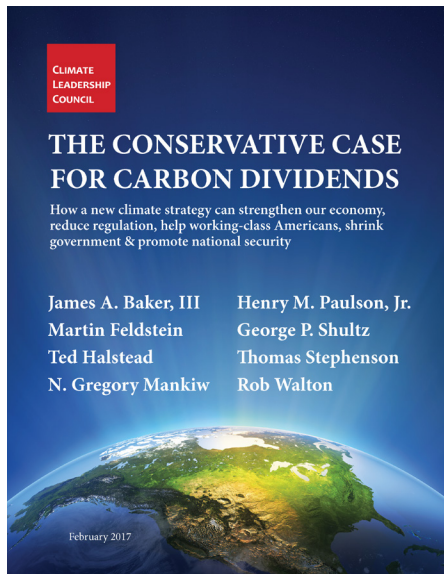
Emissions Targets: The carbon fee and EAM as presented are designed to achieve a 50% cut in CO₂ emissions below 2005 levels by 2035. This is contingent upon implementation of the fee in 2021. If the policy is implemented after 2021, the targets must be adjusted accordingly.

Federal Regulations: Regulatory simplification would displace the EPA's obligation to regulate carbon emissions from stationary source facilities that are covered by the carbon fee. However, this proposal would not eliminate the existing Greenhouse Gas Reporting Program, which will be an important element in monitoring emissions reductions.

ENDNOTES

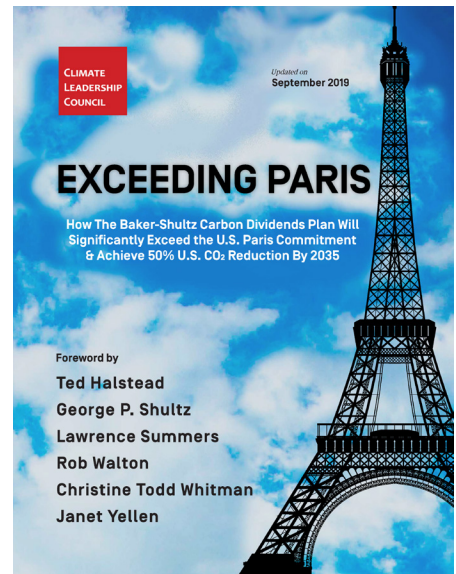
1. Hafstead, M., "Analysis of Alternative Carbon Tax Price Paths for the Climate Leadership Council (CLC) Carbon Dividends Plan," Resources For the Future, Revised March 2019.
2. Horowitz, J., Cronin, J.A., Hawkins, H., Konda, L., Yuskavage, A., *Methodology for Analyzing a Carbon Tax*, U.S. Department of the Treasury Office of Tax Analysis, Working Paper 115, January 2017.
3. "Economists' Statement on Carbon Dividends," *The Wall Street Journal*, 17 January 2019.
4. This figure is an estimate based on independent analysis by Donald Marron and Elaine Maag of the Urban Institute in their December 2018 paper "How to Design Carbon Dividends."
5. This data is based on *Methodology for Analyzing a Carbon Tax*, a U.S. Department of Treasury Working Paper from January 2017. While the carbon fee considered differs in some details from our proposal, the dividend method (recycling all net revenue and a 100% dividend for all eligible recipients) is exactly parallel to the one we propose.

OTHER KEY REPORTS



Co-Authors: James A. Baker III, George P. Shultz, Martin Feldstein, Ted Halstead, N. Gregory Mankiw, Henry Paulson, Tom Stephenson and Rob Walton

Our founding report, marking the first time Republican leaders put forth a concrete, market-based climate solution



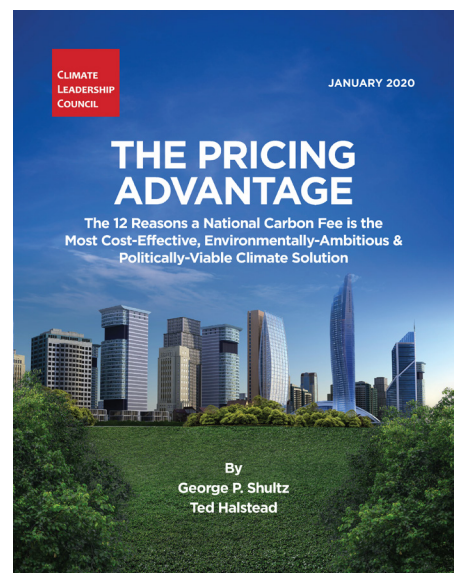
Co-Authors: Ted Halstead, George P. Shultz, Lawrence Summers, Rob Walton, Christine Todd Whitman and Janet Yellen

Why our plan is the most environmentally-ambitious and politically-viable pathway to exceeding the U.S. target under the Paris agreement



Co-Authors: George P. Shultz and Ted Halstead

The top 10 reasons why rebating all carbon fee revenues to the American people is the most popular, equitable and politically-viable solution



Co-Authors: George P. Shultz and Ted Halstead

This report outlines the 12 reasons a national carbon fee is the most cost-effective, pro-business and environmentally-ambitious climate solution

ABOUT

The logo for the Climate Leadership Council, featuring the words "CLIMATE LEADERSHIP COUNCIL" in white, uppercase letters stacked vertically on a red square background.

CLIMATE
LEADERSHIP
COUNCIL

The Climate Leadership Council is an international policy and advocacy institute founded in collaboration with a who's who of business, opinion and environmental leaders to promote a carbon dividends framework as the most cost-effective, equitable and politically-viable climate solution.

In collaboration with its Founding Members, the Council focuses on four core activities: a) policy research, development and economic modeling pertaining to the its bipartisan carbon dividends plan; b) building and engaging the broadest possible climate coalition; c) publicizing the many benefits of its solution through print, broadcast

and social media and through frequent public presentations; and d) establishing international research partnerships to deepen work on carbon dividends and border carbon adjustments.

As a 501(c)3 charitable organization, the Council receives the majority of its funding from charitable foundations and high-net-worth individuals. In order to preserve its position as an honest broker between multiple stakeholders in the policy development process, the Council does not accept corporate contributions from highly impacted industries. The Climate Leadership Council was founded by Ted Halstead.



Americans for Carbon Dividends (AFCD) is a national education and advocacy organization that lobbies on behalf of the Baker-Shultz Carbon Dividends Plan developed by the Climate Leadership Council.

AFCD is led by CEO Greg Bertelsen, Strategic Advisor and former Republican Congressman Ryan Costello (R-PA), Managing Director Steve Rice, who formerly was the Director of Political Mobilization at Boeing, and Strategic Advisor Kevin Sweeney, who formerly was a Campaign Manager and a Press Secretary and State Director in the U.S. Senate.

As a 501(c)4 lobbying entity, AFCD is funded by corporate contributions from a wide range of corporate sector leaders, from top energy companies and utilities to major auto manufacturers and technology companies. AFCD's funding comes from companies representing all leading energy sources: oil, gas, nuclear, coal, wind, solar and geothermal.

This breadth of corporate support reflects the broad-based appeal of the Baker-Shultz Carbon Dividends Plan.

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KEY FINDINGS ON CLIMATE POLICY & CARBON DIVIDENDS PLAN

February 2020

DIRECTION OF CLIMATE POLICY

- ▶ **Voter concern over climate change has increased over the past year and voters want a bipartisan national solution.**
 - **By a margin of 8 to 1**, registered voters say they are **more concerned about climate change** now than they were a year ago (increase – decrease) (48% more concerned).
 - **By a margin of 6 to 1**, voters want **any national climate solution to be bipartisan** (58% Rep, 63% Dem, 56% Ind).
 - **7 out of 10 voters** (71%) say the **U.S. government should take action** to limit carbon emissions (51% Rep, 86% Dem, 73% Ind).

SUPPORT FOR A CARBON DIVIDENDS PLAN

- ▶ **Support for the Carbon Dividends Plan spans party lines.**
 - **Two thirds of voters** (65%) say they support charging fossil fuel companies for their carbon emissions and giving the money back to Americans with the goal of cutting emissions.
 - **4 to 1 support overall**; 2 to 1 support among Republicans; 3 to 1 support among Republicans under 40; 16 to 1 support among Democrats; 4 to 1 support among independents.
 - **Voters support all four** parts of the Carbon Dividends Plan.
 - 64% of voters support a carbon fee.
 - 68% of voters support returning the money to all Americans as a quarterly dividend.
 - 62% of voters support replacing existing regulations that are no longer necessary.
 - 66% of voters support applying the carbon fee to foreign imports.

OTHER KEY FINDINGS

- **3 in 4 Democrats** say they would **support replacing carbon regulations with a price on carbon** if it could achieve more than twice the emissions reductions (74%).
- **By a margin of 6 to 1**, voters say they would be **more likely to vote for a candidate** who supported the Carbon Dividends Plan (56%).

This poll was conducted by Morning Consult on behalf of Climate Leadership Council from January 31- February 2, 2020 among a national sample of 1,991 registered voters. The interviews were conducted online and the data weighted to approximate a target sample of registered voters based on age, race/ethnicity, gender, educational attainment, and region. The results from the full survey have a margin of error of +/-2%.

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