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How to tax carbon

Promoters of a new energy plan are hoping that Vermont can take advantage of the clean energy already at hand to cut back on the fossil fuels burdening the state's economy and endangering the global climate.

A cross-section of community leaders has teamed up to produce a proposal called the ESSEX Plan, which is an acronym for an Economy Strengthening Strategic Energy Exchange. That name does not include the words "carbon" or "tax," but it is a carbon tax they are proposing, and it is one that makes a good deal of sense.

The plan begins with the premise that the electricity mix of the state's largest utility, Green Mountain Power, is already 90 percent free of fossil fuels and 55 percent renewable. The use of nuclear power accounts for the difference between those two percentages.

Thus, to curb the state's reliance on fossil fuels, the plan proposes a program for enticing Vermonters to shift away from heating oil and gasoline toward use of electricity. If Vermonters replace oil burning furnaces with heat pumps powered by electricity, they would be making a big dent in the state's consumption of fossil fuels. And if they make the switch to electric vehicles, charging their cars at home or at charging stations instead of using gasoline, they would be making a similar dent.

A state with electricity generated by natural gas, coal or oil would not be able to rely on electricity as a climate-friendly fuel the way Vermont is contemplating. That's why different states and regions are devising plans specific to their needs. In Vermont, the prevalence of hydropower, mainly from Quebec, means that switching from gasoline or fuel oil to electricity would cut down on fossil fuel use considerably.

The plan is described as revenue neutral, which means the tax imposed on the purchase of gasoline or fuel oil would be returned to taxpayers. Finding the right way to return that money has been a challenge for policy makers.

Instead of entangling the flow of revenue in the state's tax system — through cuts in the income or sales tax or through some kind of tax rebate — the ESSEX Plan would return money to Vermonters through their electricity bills. They would be using more electricity, but the rate would be steeply cut. Because the cost of electricity is regressive, affecting poor people more than others, there would be an extra cut in the power bill of low-income residents and an additional cut for those living in rural regions faced with the higher cost of gasoline.

Gov. Phil Scott remains opposed to new taxes, and it is the standard Republican view that a carbon tax would be a burden on the economy. The ESSEX Plan has legislative backing, but legislators will be looking around at more than one plan. House Speaker Mitzi Johnson said she was concerned the electric rate subsidy for low-income and rural Vermonters was not sufficient protection for them.

Advocates of the new plan seek to counter the concerns of business by noting what a plus it would be for the Vermont economy if electric rates were driven down substantially. High electric rates are a common complaint of business, and lowering rates would help the state attract new business. Advocates also point out that Vermont spends about $2.3 billion each year on petroleum products — about 8 percent of the state's gross domestic product, and most of that money goes out of state. Promoting the renewable energy sector and the expanded use of electric vehicles would benefit the Vermont economy, keeping more money here rather than sending it off to Exxon Mobil.

The effects of climate change grow more stark each year, and the Trump administration's retrograde policies have done much to discredit opposition to action. The mandate for action has grown stronger as the climate crisis has worsened, and the patience of legislators is growing short. Scott's customary caution is being undermined by the growing awareness that handing climate policy to the fossil fuel industries, as the Trump administration has done, is not tenable. It verges on the criminal.