



# Vermont Climate Economy Action Team

*Vermonters are creating answers to climate change that will be the foundation for the economic renewal of the state. The Climate Economy is the economy of the future, informed by Vermont's history of independence, resiliency, and innovation.*

## **Study the Pricing of Carbon and Carbon Market Structures**

**Vermont's tax structure stimulates economic opportunities, job creation, and affordability while incentivizing the transition to non-fossil fuels**

**Conduct a Joint Fiscal Office Study of the pricing of carbon and carbon market structures for Vermont.**

The Climate Economy Action Team believes a significant long-term opportunity exists to change our relationship to, and dependence on, carbon. The importance and scale of this change requires a complex and delicate system of state, regional, and national incentives and disincentives to reward behaviors, activities, and innovations in the necessary transition to a non-fossil fuels economy and lifestyle. The Team also recognizes that further work is needed to (1) develop a fuller picture of the costs and benefits of pricing carbon, a carbon trading system, or other carbon market structures; (2) how it could stimulate economic growth, protect Vermonters and provide significant emission reduction; and (3) partner with other states, provinces or regions for collective benefit and impact.

The legislature should commission a study by the Joint Fiscal Office to analyze how carbon is already priced in Vermont, tax incentives and disincentives to reduce carbon emissions, the costs and benefits of pricing carbon and carbon alternatives, and trading models and scenarios, including carbon pricing, trading, carbon alternative incentives, and RGGI expansion, identifying those most likely to boost economic development, innovation, and job creation in the state.

## **Members of the VT Climate Economy Action Team:**

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**Vermont Council on Rural Development**

Unleashing the power of Vermonters to create a better future

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## Recommendation from the Governor's Climate Commission Presented to Governor Scott December 29<sup>th</sup> 2017

### Recommendation 3: Study All Regulatory and Market Decarbonization Mechanisms

To ensure global temperature rise remains no greater than two degrees Celsius above pre-industrial levels, the entire global population will need to transform its relationship with energy use. A wide spectrum of policy mechanisms that aim to enable those choices and reduce GHG emissions have been investigated and implemented by nations, regions, states, and provinces around the world. In the northeast, Vermont is part of a regional cap and trade program that has effectively reduced GHG from the electric power production sector.

Whether any of those policy approaches would effectively reduce GHG emissions in Vermont while spurring economic innovation, making Vermont more affordable, creating jobs, protecting the most vulnerable, and ensuring all Vermonters have the ability to be part of the climate solution remains an open question. The conversation has not been informed by a complete review and understanding of the impacts, both positive and negative, of different policies implemented nationally, regionally, or in Vermont alone.

**To answer that question, the Commission recommends an independent, non-partisan evaluation of the full spectrum of regulatory and market-based approaches to reducing GHG, including carbon pricing mechanisms, carbon market opportunities, and regulatory control policies. The Commission recommends the Legislature's Joint Fiscal Office contract that study with a well-respected, independent research organization to provide Vermonters with the information needed to make informed decisions.**

The ultimate utility of such a study will largely depend on how it is framed, the questions that it asks, and the assumptions it makes. The Commission offers to provide a small working group made of a subset of its members to assist in the scoping of the study, if desired.