

## Northwest Economic Research Center Carbon Tax Report Fact Sheet

Background: During its 2013 Legislative Session, the Oregon Legislature passed Senate Bill 306, directing the Legislative Revenue Office to conduct a study of the economic and greenhouse gas emission impacts of implementing a clean air tax or fee in Oregon. After an open RFP process, Portland State University’s Northwest Economic Research Center (NERC) was hired to assist with the analysis.

This in-depth analysis of carbon pricing in Oregon, released Monday, December 8, 2014 and presented by NERC to Legislative committees meeting in Salem, follows the March 2013 NERC research report titled “Carbon Tax and Shift: How to make it work for Oregon’s Economy.”

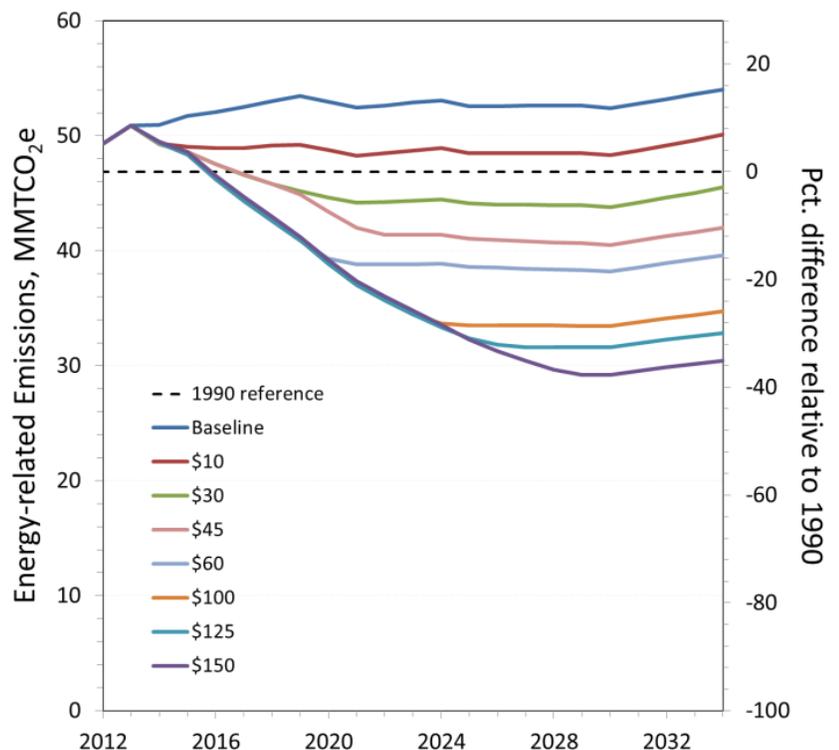
During its second analysis, NERC was able to confirm some of its original findings about the potential benefits of a carbon tax, as well as complete a detailed analysis of how a carbon pricing policy would affect 70 different Oregon industry sectors and six Oregon regions.

This study considers only greenhouse gas emissions associated with the combustion of fossil fuels used for energy purposes, including transportation petroleum fuels, natural gas used for heating, and coal and other fossil fuels used for electricity generation.

### Here’s what NERC found:

#### 1. Putting a price on carbon emissions will result in cleaner air in Oregon.

Oregon has set a goal to reduce greenhouse gas emissions 10 percent below 1990 levels by 2020 in order to reduce climate impacts by reducing carbon emissions. NERC found that putting a price on carbon emissions will effectively reduce emissions through behavior change and providing economic incentives for better energy efficiency, cleaner fuels, and other alternatives to the status quo. A price of \$30 per metric ton of emissions would reduce emissions in Oregon below 1990 levels before 2020 and keep them below 1990 levels beyond 2032.



**2. Putting a price on carbon will generate significant state funds providing many policy options for putting that money back to work for Oregonians and offsetting any economic impacts of the tax.**

Depending on how carbon emissions are taxed or otherwise priced, the revenue generated by such a policy will provide myriad options for reinvestment into the Oregon economy. That same \$30 per ton tax, which is incidentally the pricing level used in British Columbia, would generate \$1.4 billion in annual revenue—\$370 per capita.

**3. The statewide economic impacts of a carbon tax, even without the strategic use of the revenue to offset its effects, would be modest compared to the size of the economy.**

In the most extreme scenarios modeled by NERC, revenues from a carbon tax were placed into a reserve fund and not strategically invested in programs designed to offset negative impacts of the tax and enhance potential benefits. Even in those cases, job growth is still positive, despite a slight drag on that growth created by the tax.

**4. A carbon tax wouldn't overburden any particular region.**

The region with the highest emissions—the Portland Metro region produces 62 percent of the state's emissions—will supply the highest amount of revenues under a carbon tax. Similarly, the Metro region would feel the most impacts.

**5. A carbon tax will have minimal impact on industry, but wholesale trade and businesses at the end of the supply chain will feel the strongest pinch.**

The construction industry is poised to see the strongest growth as a result of a carbon tax, but retail businesses and the food service industry may see a small decline in job growth due to an increase in prices.

**6. A carbon tax would place more pressure on low-income households than on high-income households—but it's possible to support low-income individuals through existing programs to mitigate those effects.**

For the poorest Oregonians, energy accounts for about 25 percent of all expenditures, while those with the highest incomes put just 4 percent of their outflow toward energy. Working through the tax code, using tax credits, and providing payment assistance directly to low-income households, are all options for addressing this disparity.

**8. Carbon pricing can serve as an economic development strategy for Oregon.**

By putting a price on carbon and creating a revenue collection mechanism that is tied to decisions about fossil fuel usage, households businesses that are able to reduce carbon emissions relative to their peers gain an economic advantage. As national and global economies are moving in the direction of greater energy efficiency and overall emissions reductions, creating incentives for this behavior in Oregon early on could be an effective economic development strategy.