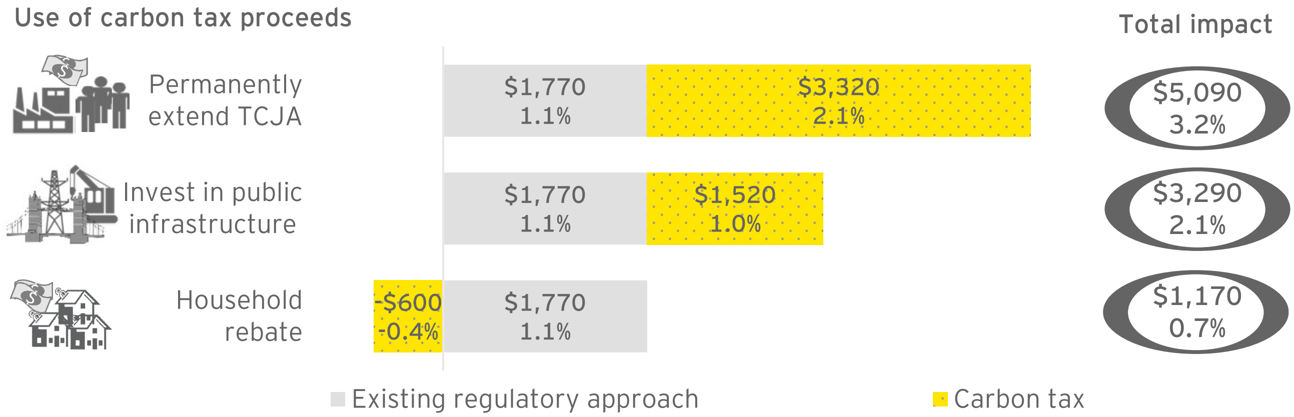
Carbon regulations vs. carbon tax

Revenue neutral carbon tax is a more efficient way to reduce the same amount of carbon

Change in annual GDP per household



Existing regulatory approach

Corporate Average Fuel Economy (CAFE) standards
Vehicles required to meet a fleetwide average fuel-efficiency level by model year

Clean Power Plan
Reduce carbon emissions in the power sector

Renewable Fuel Standards
Distributors required to include specific % of renewable fuels in their total sales

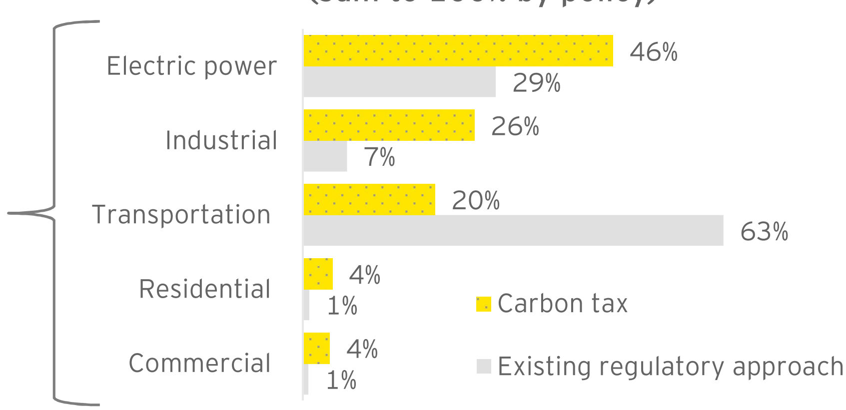
Appliance and equipment efficiency standards
Sets energy-efficiency standards for appliances and equipment

-$1,770
GDP per household

22%

Reduction in CO_2 emissions
(relative to a baseline that includes no CO_2 emissions policies)

CO_2 emissions reduction, by sector (%) (sum to 100% by policy)



Note: To fully reflect a comprehensive regulatory-focused CO_2 abatement approach, the existing regulatory abatement approach includes policies that may or may not go into effect (e.g., the Clean Power Plan). All estimates are in the long-run (i.e., when the US economy has fully adjusted to the change in policy). Figures are rounded.
Source: EY analysis; US Energy Information Administration.