



GREENHOUSE GAS POLICIES:

# DIRECT REGULATION VS CARBON TAX

Since 2009, the federal executive branch has had legal authority to implement regulations to reduce greenhouse gas emissions. AAF research compares the effectiveness and economic impact of two commonly considered policies: direct regulation and a carbon tax.



## Direct Regulation

Command-and-control executive actions regulating greenhouse gas emissions



## Carbon Tax

Government-issued price on greenhouse gas emissions

### EFFECTIVENESS

Could reduce

**37 billion**  
metric tons

over a 30-year window

Could reduce

**58 billion**  
metric tons

over a 30-year window

(approximately 57% more than direct regulation)

### ECONOMIC IMPACT



## 2x The Economic Burdens

Regulations cost twice as much per ton of emissions reduced as a carbon tax.



## Cheaper Than Regulation

A carbon tax allows consumers to reduce tax costs by shrinking their carbon footprint.

A well-designed carbon tax would have only a fraction of the economic impact of a conventional carbon tax while achieving its target emission reductions.



## No Revenues

Regulations raise the prices of products. Without revenue to use, Americans feel the full economic burden.



## Raises Revenues

Carbon tax also raises the prices of products, but the revenues can be used to offset other taxes.