



For Immediate Release

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A Carbon Tax Can Be Designed to Comply with U.S. International Trade Obligations

Washington, D.C. – Today, the Alliance for Market Solutions (AMS) released a new report that shows how a properly designed revenue-neutral carbon tax can comply with U.S. World Trade Organization (WTO) obligations. The analysis, prepared by the law firm Mayer Brown LLP, examines the issues policymakers should consider when designing a carbon tax regarding imports and exports.

“We understand the significance of trade considerations to policymakers who are exploring a carbon tax to address climate change,” said Alex Flint, AMS’s executive director. “We were honored to work with Ambassador Susan Schwab and her team of experts at Mayer Brown to ensure this information is available.”

The report provides five potential approaches to designing the international features of a carbon tax and evaluates them according to the environmental impact of the tax, the impact on competitiveness, and the administrability of a carbon tax program.

“A revenue-neutral carbon tax is the most efficient policy to reduce carbon pollution, grow the economy, and promote innovation,” said Bud DeFlaviis, the director of government affairs at AMS. “This new analysis shows that it can also be implemented in a manner consistent with trade rules, while ensuring U.S. manufacturers and producers can compete on a level playing field internationally.”

Additional key takeaways from the report include:

- If a carbon tax is applied on imports and refunded on exports, WTO rules require that the tax be an indirect tax (e.g., excise tax) rather than a direct tax (e.g., income tax). Therefore, the carbon tax should apply to the value of products, rather than producers’ income.
- Most proposals for a U.S. carbon tax have suggested implementing a carbon tax on carbon-intensive products at their point of production, an approach that is reasonably simple to administer since the tax will need to be collected from fewer entities than if the tax were imposed further downstream.
- A key is to ensure the tax applies equally to foreign and domestic products, and also among trading partners.

For a summary and the full version of the report, click [here](#).

The report is among many analyses/projects commissioned by AMS on key aspects of carbon tax policies to educate policymakers and the public. Learn more about AMS and its research program at amsresearch.org and [follow](#) the organization on Twitter.

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[Alliance for Market Solutions](#) (AMS) is an organization of conservative leaders with experience in business, government, and the intellectual community who know that markets and economic incentives are the most powerful drivers of change and are more efficient and effective than top-down regulation. We aim to educate conservative policymakers on the benefits of market-oriented solutions to one of America's most pressing economic challenges: advancing clean energy and reducing carbon pollution.

The carbon tax policy we support is consistent with a pro-growth conservative agenda. It would replace costly regulations and prevent new regulations from burdening families and job creators. And it would eliminate economically harmful taxes on investment and family incomes.

AMS is a 501(c)(3) non-profit educational organization. We don't engage in electoral politics on behalf of any candidate, campaign or party. We are recruiting allies and developing policy analyses to help conservative policymakers consider a pro-growth, conservative carbon tax policy.