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April 27, 2021

Contact: press@amsresearch.org

ICYMI, at the Senate Committee on Finance [hearing](#):

Broad, Efficient, and Technology-Neutral Tax Policy for Clean Energy

By Alex Brill

Below you can find an excerpt from the Senate Committee on Finance hearing testimony by Alex Brill, Resident Fellow at American Enterprise Institute:

Today's hearing addresses a timely and important topic: the tax treatment of energy. A broad, efficient, technology-neutral tax policy geared toward encouraging less energy consumption and more renewable energy production is critical to ensuring a reduction in CO₂ emissions. The US tax code has long encouraged the use of clean and renewable energy, as well as energy conservation and efficiency, with policies dating back to the Energy Tax Act of 1978. Unfortunately, a scattershot approach to tax policy aimed at reducing US reliance on fossil fuels—whether in pursuit of energy independence or to address concerns about climate change—has led to a complex and convoluted tax code.

As Congress considers the role of tax policy in addressing our climate challenges, I encourage members to consider options that simplify the tax code with respect to energy, avoid the economic distortion of provisions that are not technology-neutral, and adopt a broad-based and fiscally responsible approach.

Explicitly Pricing Carbon Is the Optimal Way to Reduce CO₂ Emissions

While tax subsidies for renewable energy production or investment can encourage the deployment of more clean energy, these policies—for reasons just discussed—are certain to be suboptimal relative to a price on carbon, specifically a carbon tax.

Economists have long agreed that a carbon tax is an efficient and effective way to reduce carbon emissions. Prominent economists on the left and right have urged the United States to adopt a carbon tax. These views are not new. A Wall Street Journal article in 2007 found that a majority of economists surveyed believed that a “tax on fossil fuels would be the most economically sound way to encourage alternatives” (Izzo, 2007). One carbon tax proposal has earned endorsement from four former Federal Reserve Board chairmen, 28 Nobel Laureates in economics, and 15 former chairs of the White House Council of Economic Advisers.

More recently, the business community has strongly endorsed putting a price on carbon. For example, in September 2020, the Business Roundtable advocated for a carbon tax, and in

January of this year, the Chamber of Commerce's position paper on climate change signaled its openness to a carbon tax. The American Petroleum Institute and top companies in the oil industry have also expressed support.

By imposing a larger burden on coal than on natural gas, a carbon tax would support the transition toward greater natural gas utilization in the United States and would accelerate the retirement of coal plants. Extending and accelerating this trend will further the reduction in CO₂ emissions in the United States. In addition, by imposing a larger burden on natural gas than on renewable energy, a carbon tax would encourage additional investment and deployment of energy sources such as wind and solar.

[Read the full testimony here.](#)

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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.