



Testimony of Eric Brown
Connecticut Business and Industry Association
Before the Environment Committee
March 14, 2018

The Connecticut Business and Industry Association (CBIA) appreciates this opportunity to comment on:

HB-5363, An Act Establishing a Carbon Price for Fossil Fuels Sold in Connecticut

CBIA opposes this bill

Good morning. My name is Eric Brown and I serve as Senior Counsel for the Connecticut Business and Industry Association (CBIA). CBIA represents thousands of businesses throughout the state of Connecticut with the majority having fewer than 25 employees.

This bill seeks to institute a tax that would affect residents and businesses of Connecticut that drive gasoline-powered vehicles, heat their homes or businesses with fuel oil or propane, use propane-fired grills in the summer for cooking, operate or use commercial airlines, operate gasoline powered equipment like lawnmowers and other power equipment, use electricity to keep food cold, toast bread or engage in a host of daily activities that involve the use of the most common forms of energy.

The bill admits as much in subsection (c)(1) which states that the taxes collected are intended to “help residents and employers transition to cleaner energy options and mitigate any potential economic harm.”

Specifically, the bill proposes to establish a tax on all gasoline, heating oil, diesel fuel, kerosene-based jet fuel, number 4 and number 5 fuel oils, kerosene, coal, oil, natural gas, natural gas generated electricity, propane or any other petroleum derivative commonly burned to produce heat, electricity or motion, as well as a tax on “escaped methane” associated with the extraction, transport or distribution of natural gas.

The underlying purpose of this tax is found in subsection (e) of the bill which establishes and empowers a “Carbon Pollution Council” to set the tax level (i.e. evaluate the level of financial pain) necessary to induce consumers (residential, commercial and industrial) to purchase generally more expensive and often less reliable sources of energy in the hopes of achieving the greenhouse gas emission levels established in 2006 through the Global Warming Solutions Act.

The initial tax is to be set at no less than \$15 per ton of “greenhouse gas equivalent” and is mandated to increase by at least 33% after the first year and by at least an additional \$5 per ton every year thereafter, in perpetuity.

Using EPA’s Carbon Equivalencies Calculator, this means that in year one alone of this new tax, Connecticut residents can expect to pay an additional 13 cents per gallon for gasoline and experience a 6% increase in their electricity bills. Again, with these taxes statutorily mandated to go up every year as long as necessary and at whatever level the “Carbon Pollution Board” deems is necessary to lower carbon emissions by 80% from 2001 levels by 2050. As Connecticut is currently only roughly 10% of the way to

that mandate after 12 years of aggressive greenhouse gas reduction measures, achieving the mandate as currently codified will require an additional 70% reduction over the next 32 years.

Supporters of this bill argue that these tax dollars will ultimately go back to the residents and businesses compelled to pay them in the form of tax credits and, in the case of those who do not file tax returns, in the form of a direct check.

But any notion that our residents and businesses will receive their money back is, to be generous, mistaken. Why?:

1. Tax credits are not always a dollar-for-dollar proposition. They may only offset a portion of an individual's or business's tax liability;
2. A portion of the collected tax dollars will go to pay the administrative costs of the Department of Revenue Services;
3. The bill states that residents shall all receive the same "dividend", regardless of how much tax they paid - with the exception of those with dependent children living at home; and
4. We also have far too many examples in recent years demonstrating that no bill can protect future legislatures from "sweeping" such funds (including recent examples in the environmental and energy areas). Thus, the language of subsection (c)(1), which purports to provide such protection ultimately provides no assurance.

Finally, subsection (f)(1) appears intended to give some comfort that Connecticut will not be "going it alone." If this bill were to pass, it would not take effect prior to the states of Massachusetts and Rhode Island placing a fee on fossil fuels sold in their states of not less than \$10 per ton. This, of course would still put Connecticut at a competitive disadvantage with our initial tax being at least 33% higher than \$10 per ton.

To provide some context, the climate is changing. Human activity is may well be impacting the pace of that change. Even if one believes that impact is significant, Connecticut's contribution to such impact is indisputably negligible. DEEP's own studies show that if we stopped generating and using electricity entirely; if every car, truck and bus were banned in Connecticut; if we shut down every manufacturing facility, every restaurant, every doctors office, hardware store and flower shop; if we stopped building helicopters, jet engines and submarines – in short – if we transported Connecticut (as well as Massachusetts and Rhode Island for that matter) back to a 15th century economy – Connecticut would still not meet EPA's current air pollution standards because of pollution we import from upwind states. It is surely even more true that doing so would have no measureable impact on global climate trends.

Respectfully, those who are wedded to this mission should, in our view, focus their laudable passion and energy towards the Congress and the federal government -- rather than forcing Connecticut businesses and citizens, especially during these very challenging economic times in our state, to bear such burdens.

Accordingly, CBIA urges that HB-5363 not be favorably reported out of this committee.

Thank you for this opportunity to comment on this bill and for your consideration of our position.