GUARDIAN
FUEL & ENERGY

Members of the Committee on Environment
State of Connecticut General Assembly

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Hello, my name is Jamie K.W. Lohr. I am the President of Guardian Fuel and Energy located in Westerly Rhode Island, and Stonington, Connecticut. I am a resident of Stonington, CT for 32 years, establishing my business there in 1993.

Thank you for the opportunity to testify **in opposition to H.B. No. 5363, AN ACT ESTABLISHING A CARBON PRICE FOR FOSSIL FUELS SOLD IN CONNECTICUT,** which would tax the fuels that our customers purchase in Connecticut.

About 600 heating oil dealers in Connecticut work with residents and businesses to provide outstanding service at a fair price. If passed, HB 5363 would increase the cost to heat homes and businesses adding to the already high cost of living and doing business in Connecticut. While this bill may have been intended to help our state, all it will do is drive up the cost of heating and cooling, traveling, and delivering goods here.

I am opposed to HB 5363 for the following reasons:

- Half the homes in the state heat with fuel oil. A 16.55 cents/gal. tax on home heating oil would cost households an average of $166 per year individually, or over $72 million per year in aggregate. And that's just in year one. By year 5, the tax goes to 38.61 cents/gall costing the homeowner $386 on a thousand gallons; and by year ten, the tax grows to 66.18 cents/gall, costing the homeowner $661 on a thousand gallons. Likewise for propane, the 9.55 cents/gall. tax in the first year will cost $10.5 million in aggregate (for all propane use - fireplace, cooking, heating, grills, etc.). The tax grows and grows and grows.

- This tax is regressive, impacting low-income residents disproportionately. They lack opportunity to change their energy consumption. Approximately 320,000 households in Connecticut face "crushing financial burden" regarding their energy bills, according to Operation Fuel, and all of them will be impacted by the tax, whether they heat with oil, gas, electricity, or propane. Though the proposed legislation allows consumers to receive a partial rebate, low-income consumers will not likely receive back their full cost associated with the tax, and so will be harmed by it.

- A 13.27 cents/gall tax on gasoline will cost CT motorists over $211 million in the first year of the tax, growing thereafter, and this doesn't even apply the 8.81% gross receipts tax on top of that added cost.

- Diesel fuel taxation will cost $44 million dollars more in the first year of the tax, which will be passed on to consumers as increased prices on every single product sold in the state, from asparagus to birdseed. From tin foil to shoes and socks. Lumber to shampoo. Every single purchase of every resident young and old, will reflect a price increase, to offset the increased cost of transporting those goods to Connecticut.

- Total CO2 emissions in CT, according to latest figures from the Energy Information Administration are 35.1 million metric tons or 38.6 US tons. In year one of the tax, the total tax at $15/ton will be $579 million; and since the tax increases by $5 per year forever, by year five it will be $1.35 billion, and by year ten it will be $2.3 billion and so on, ad infinitum.

- Governor Malloy has complained that Connecticut is already one of the highest cost energy states in the country. This tax just "doubles down" on those costs to consumers and businesses, and will result in more people, capital and business fleeing the state.

- Fuel dealers in New York will have a price advantage that will hurt local oil and propane dealers when they attempt to sell their untaxed fuel by crossing state lines to steal our customers.

- Regarding the rebate, all consumers will receive an equal share of 50% of the proceeds of the tax. That means residents get the same amount, rich or poor. The same dividend, whether they try to conserve energy or not. There is no incentive to save energy through the dividend program. And while businesses will also receive a rebate, they're likely just to pass on the costs of the tax to their customers during the year, and then pocket their rebate at the end when they get it.

- The tax won't affect climate change. According to a U.S. News & World Report article, even if the U.S. completely stopped emitting all CO2, it would reduce world temperatures by only 0.08 degrees C by the year 2050. That's because China and India will dominate global carbon emissions for the next century, and there's little the U.S., let alone Connecticut, can do to affect this. Besides CT is already doing its job in reducing its carbon footprint. Its carbon emissions of 35 million metric tons is actually a decrease of 18.4% from a decade earlier. We're already reducing our CO2 even without a carbon tax.

**To illustrate** the regressive nature of the taxes, here's a simplified example, using heating oil: Both homes are 1000 sq. ft. with two Residents. Both homes keep the temperature an average of 66 degrees, and heat their hot water with oil. For the sake of this example, let's say these two households can be multiplied over and over and over across the state, so that they represent average usages, and the taxes paid can become the basis for our calculation of their dividends. So:

> **Household A rents** an apartment in a duplex. This family cannot afford purchase their own home, because they lack the financial resources to do so. The duplex is an older building with poor insulation and an old boiler. Despite covering the windows, they are drafty. Because they are tenants, the family cannot insulate the building or replace the aging boiler. The landlord does not include heat in the rent. This household uses 1100 gallons of heating oil annually. In the first year of the tax, Household A will pay $182.05 in Carbon Tax. Their dividend will be $70.00, leaving **their out-of –pocket heating carbon tax cost in year one is $112.05.**
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> **Household B owns** their home. They have insulated the walls and attic, and have storm windows and doors to preserve heat within the house. They haven't upgraded their heating system, yet this home uses only 600 gallons of heating oil annually. In the first year of the tax, Household B will pay $99.30 in Carbon tax. Their dividend will be $70.00, leaving **their out-of-pocket heating carbon tax cost in year one is just $29.30.**

I want you to think about these families.  Every year, families with limited financial resources pay a higher share of the taxes, from smaller household incomes. The percentage of their income that goes to taxes is disproportionately greater than for higher income households.  They are unable to change their circumstances, and the taxes they pay will hamper their attempts to get ahead.

In my company, and countless other family heating oil dealerships across the state, we work to help families make good decisions in budgeting for their fuel, and in making their homes energy efficient as possible.  We advocate for assistance when their situations are dire.  Add to their burden: additional taxes on gasoline for transportation, higher grocery and other consumable goods costs due to transportation costs increasing (diesel fuel carbon tax) for trucking companies.  This is the "crushing financial burden" Operation Fuel refers to.  The burden increases, unabated. These folks do not have options.

I urge the Committee to oppose H.B. No. 5363, AN ACT ESTABLISHING A CARBON PRICE FOR FOSSIL FUELS SOLD IN CONNECTICUT.

Respectfully,

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