



# California Dividend Design

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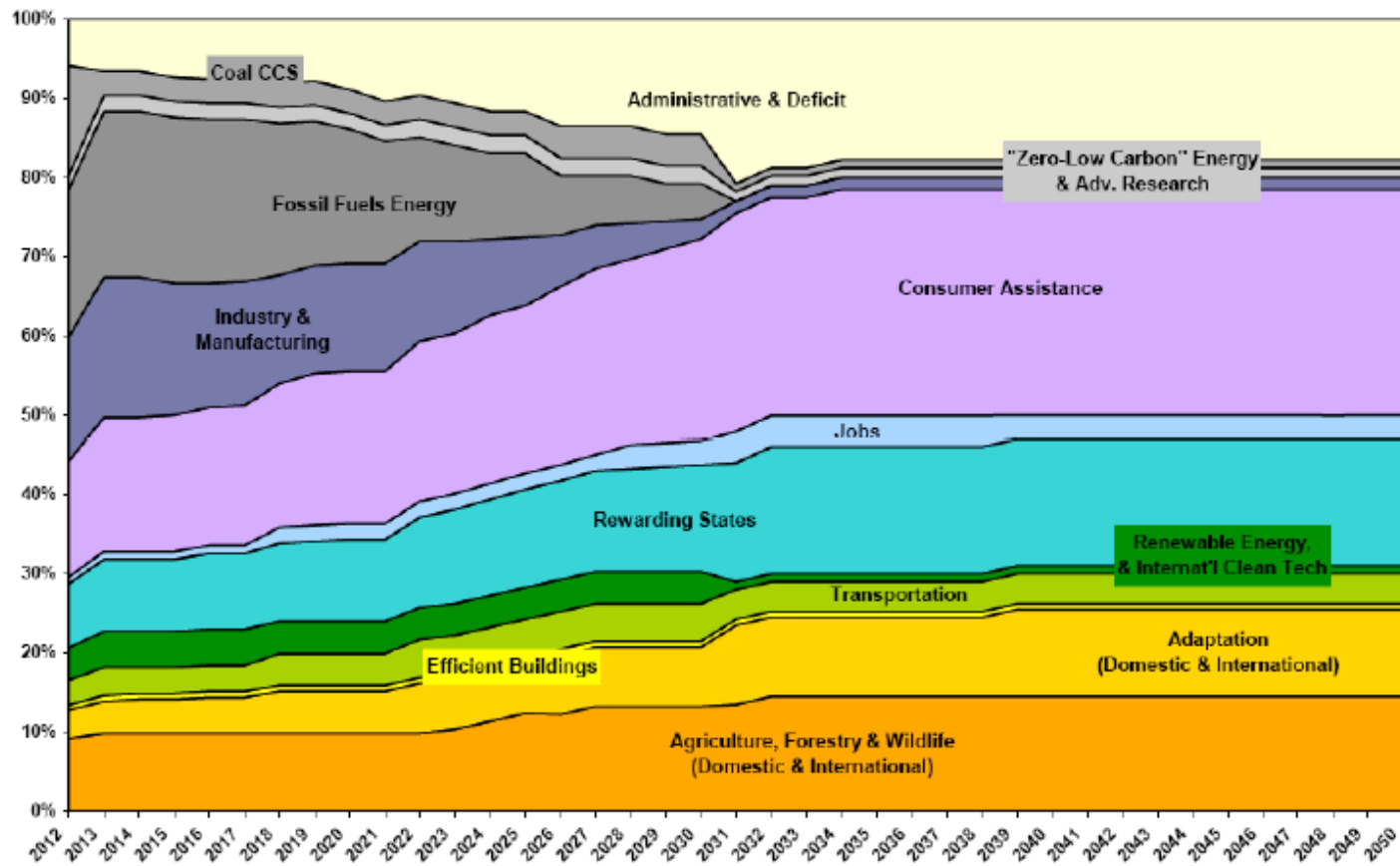
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# Polluter Bailout

Allocation of Permits and Auction Revenue in Lieberman-Warner<sup>1</sup>



# The Case for Cap and Dividend



# Climate Justice Argument

Atmospheric Climate Rights



# Cap and “No Trade” Argument

- High Carbon Price = Little incentive to trade.
  - Nobody buys two building permits if they only need one.
- Upstream cap, with no offsets means that we cranking down at the well head not where polluters find cheapest reductions.



# Simplicity Argument

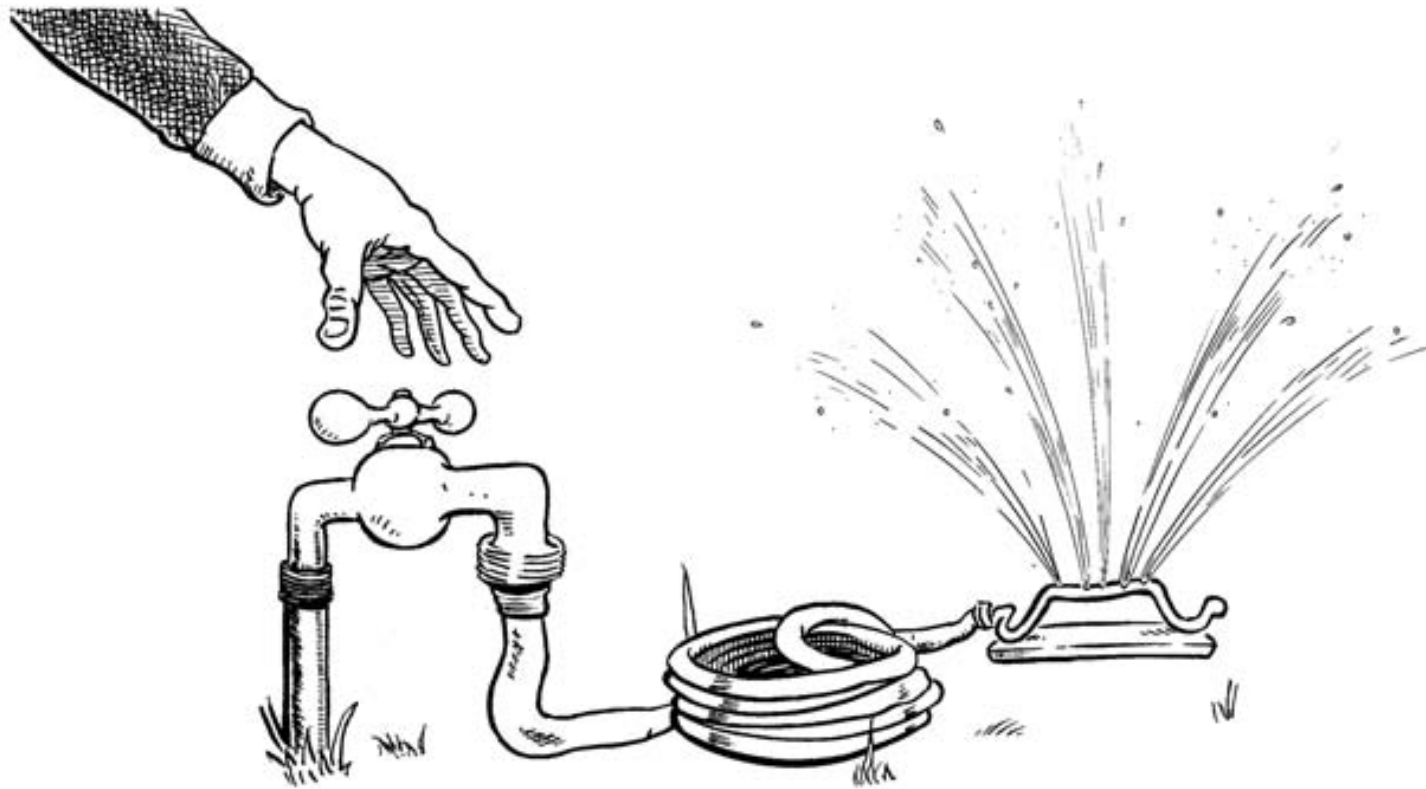


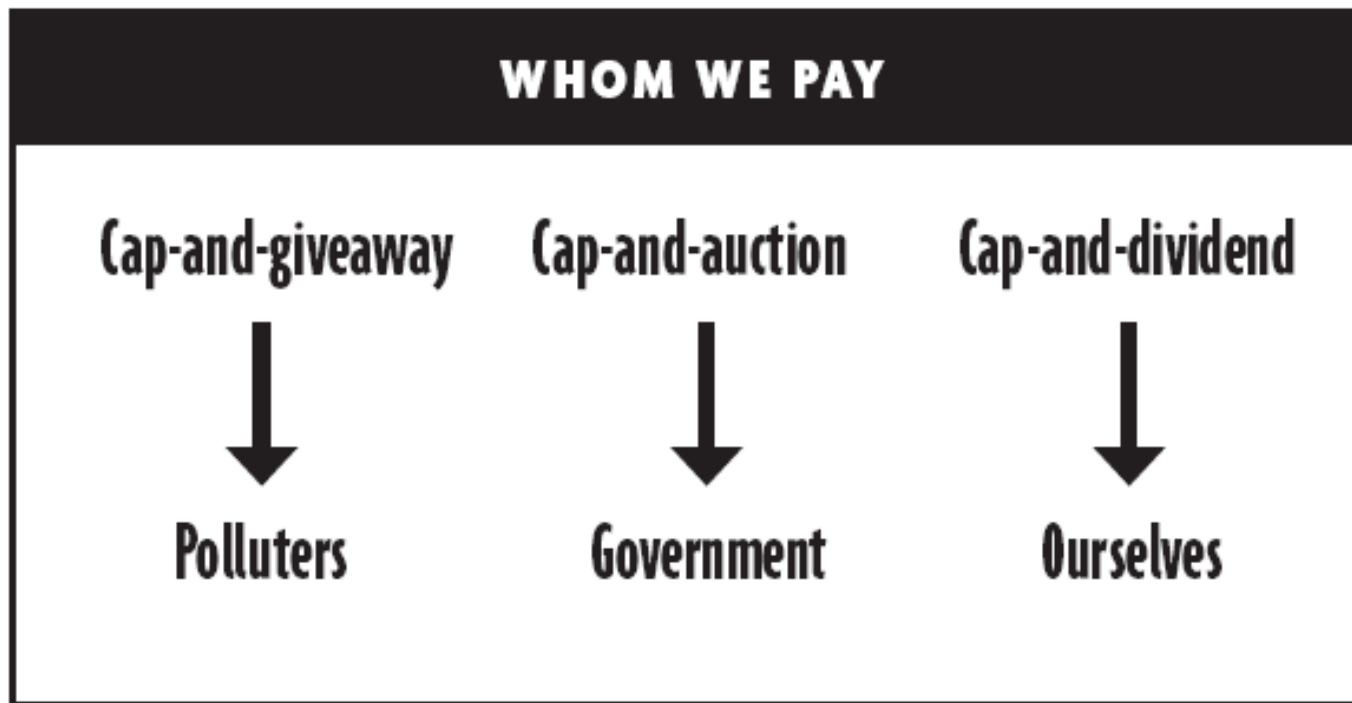
Illustration by Dennis Pacheco



# Polluters Pay Argument



# Popular Support Argument





# Financial Argument

<b>CA Cap &amp; Dividend Estimates</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>	<b>2050</b>
Per-Capita Dividends (Annual)	\$ 125.02	\$ 409.52	\$ 569.65	\$ 365.00
Dividends per household (State Avg. = 2.8 persons)	\$ 350.04	\$ 1,146.67	\$ 1,595.01	\$ 1,022.00
State Tax Revenue (From Dividends Only)	\$ 299,700,000	\$1,161,000,000	\$1,642,500,000	\$1,314,000,000
Total Tax Revenue from Taxes on Dividends (24.2%)	\$ 805,860,000	\$ 3,121,800,000	\$ 4,416,500,000	\$ 3,533,200,000

## Variables

<b>\$/Ton Charge (Auction, or Fee)</b>	<b>\$15</b>	<b>\$ 30</b>	<b>\$ 50</b>	<b>\$ 200</b>
# of Tons subject to fee / auction	222,000,000	430,000,000	365,000,000	73,000,000
Total Carbon Revenue (Annual)	\$ 3,330,000,000	\$12,900,000,000	\$ 18,250,000,000	\$ 14,600,000,000
State Population (Over 18)	26,636,590	31,500,000	32,037,472	40,000,000
Tax Rate (State Income, excludes Federal Income Tax and Sales Tax Revenues)	9.00%	9.00%	9.00%	9.00%

# AB 32 Legal Argument

**AB 32**

in adopting regulations, ARB must:

- “Consider overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.”

- Any potential “Market Mechanism” must:

1. “consider the potential for direct, indirect, and cumulative emission impacts”

2. “be designed to prevent any increase in the emissions of toxic air contaminants or criteria air pollutants”

3. “maximize additional environmental and economic benefits for California, as appropriate”

4. **“Design the regulations, including distribution of emissions allowances where appropriate, in a manner that is equitable,**

seeks to minimize costs and maximize total benefits to California, and encourages early action to reduce greenhouse gas emissions.”



# Mainstream Views on Dividends

- **Fred Krupp, CEO, Environmental Defense Fund (e)**

Fred Krupp, head of the Environmental Defense Fund and one of the architects of a detailed cap-and-trade program, said pricing carbon will extract more money from coal-intensive regions than others.

*"I think you have to have at least a transition period of many years, a decade or so, to give regions of the country the opportunity to move to non-polluting sources," Krupp said.*





# Mainstream Views on Dividends

- **Carl Pope, President, Sierra Club**

*“While I believe this is equitable, it would not provide the necessary market reform to drive our economy decisively in the needed direction.”*

*“All auction revenues from carbon permit prices above \$30 per ton should be immediately rebated to Americans. This retains the incentive for individuals to take actions to reduce their own personal use of carbon.”*

# Mainstream Views on Dividends

*"It's a different approach from "cap and dividend," another touted approach that would recycle money back to everyone, including high-income earners. A focus on low- and moderate-income people, in contrast, would require only between about 15 and 55 percent of allowances to be recycled."*

-Chad Stone, Center on Budget and Policy Priorities, member of Climate Equity Alliance

**CEA includes:** Green For All, Center on Budget and Policy Priorities, Center for American Progress, Service Employees International Union, NAACP, National Hispanic Environmental Council, Oxfam America, Democracia Ahora, Wider Opportunities for Women, First Focus, Economic Policy Institute, Redefining Progress, US Action, Coalition on Human Needs, The Workforce Alliance, Union for Reform Judaism, Center for Law and Social Policy, National Low Income Housing Coalition, ACORN, Policy Link, Citizens for Tax Justice, Enterprise Community Partners, United States Conference of Catholic Bishops



# Mainstream Views on Dividends

- **David Lashof, Director NRDC Climate Center**

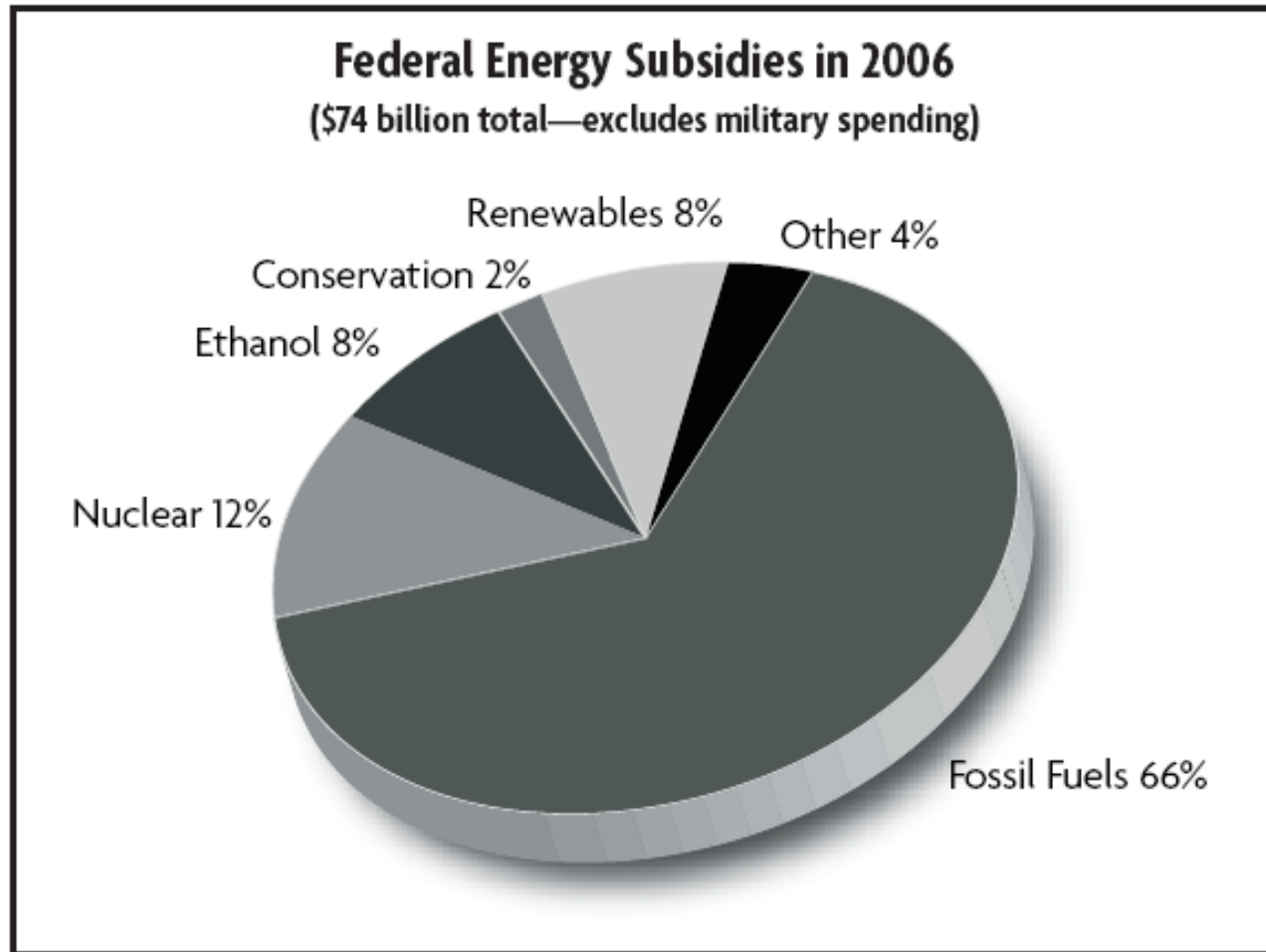
“The theory is solid, but in practice the idea becomes much more complicated when advocates are confronted with the need to address disproportionate impacts on low income consumers who are too poor to pay taxes and on coal-dependent parts of the country.”

“The appropriate *mix of investments, dividends, and adaptation* support will change over time. Directing allowance value to clean energy investments is most important in the early years of the program when it is essential to break down long-standing barriers to energy efficiency and begin learning-by-doing in supplying renewable energy. This support should be phased out as the clean energy market matures and the rising price of carbon takes over as the main driver of further emission reductions.”

“*As directed clean energy investments decline the allowance value dividend to consumers should increase.* At the same time, adaptation needs will grow as the global warming already in the pipeline manifests itself and the most severe impacts become clear. It is impossible to anticipate the most important uses of allowance revenue over the very long term, *so by default all allowance revenue should be returned directly to consumers* after, say, 15 years, unless specific programs are reauthorized by Congress.”



# Other Large Sources of Revenue



Source: Doug Koplow, "Subsidies in the US Energy Sector: Magnitude, Causes, and Options for Reform," exhibit 2, p. 4, [www.earthtrack.net](http://www.earthtrack.net)

# Dividends are Taxable-Cap and Dividend Study



Keeping the Government Whole:  
The Impact of a Cap-and-Dividend  
Policy for Curbing Global Warming  
on Government Revenue and Expenditure

James K. Boyce & Matthew Riddle

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## Findings:

- Dividends are taxable.
- 24.2% of dividends would come back to Federal and State governments.
- This new tax revenue would be substantial and could be used for anything from Green Jobs, Public Transit, and Clean Energy.

\*Money would not be subject to CA nexus requirement for fees.

# Movement at the National Level

- Von Hollen Bill Introduced in Congress
  - Upstream Cap: First sellers of coal, oil, natural gas.
  - No Offsets
  - 100% Auction
  - At least 90% Dividends to consumers





# Big Name Supporters of “Dividends”

- **President Barack Obama** favors rebating the majority of carbon revenues back to consumers via Make Work Pay Tax Credit.  
\*excludes unemployed and those without income.
- **Al Gore**, Nobel Prize Winner, favors carbon tax and income tax credit

*“We need to put a price on carbon and rebate it back to the people progressively”*

- **Dr. James Hansen**, NASA Climatologist, favors Tax and Dividend

*“Let this be our motto: “100% dividend or fight!” “No alligator shoes!”*



# Big Name Supporters of “Dividends”

- **Rob Reich**, former Sect. of Labor, favors Cap and Dividend

*“It’s important that all revenues from carbon auctions be recycled back to citizens. And rather than launch another endless debate over how and to whom—a payroll tax cut for people earning under the median wage, or a cut in capital gains?—it would be well to agree to the simplest possible formula: Every adult citizen should receive an equal share. If the carbon auction yields \$150 billion in the first year, for example, each of America’s 150 million adult citizens should receive a Treasury check that year of \$1,000.”*

- **George Lakoff**, Author Cognitive Linguist

*“Cap and dividend, if carried out, will create a new frame in the minds of many Americans: the common wealth frame of things owned by all.” ...*

*”“Cap and dividend allows the public to conceptualize the air as common wealth, as real wealth, as something very valuable and worth preserving.”*

- **Sen. Corker** (R - Tennessee)

*“I believe that we should auction a vast majority - if not all – of the allowances and send 100 percent of those revenues back to consumers.”*

“Authentic Dialogue” is  
the first step to  
Collaborative Policy Making.

We must consider all views.



# ¡Gracias!

Questions?

