


DO YOU GET WHAT YOU PAY FOR WITH U.S. CLIMATE CHANGE TAX PROVISIONS?

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**“NOT ALLTHOSE WHO
WANDER ARE LOST”**

J.R.R. TOLKIEN

USE OF TAX POLICY TO ACHIEVE ENVIRONMENTAL GOALS

- **Encourage a favorable environmental activity**
- **Discourage an unfavorable environmental activity**

REASONS TO ENCOURAGE RENEWABLE ENERGY (RE)

- **Environment**
- **National Energy Self-Sufficiency**

WAYS TO ENCOURAGE RENEWABLE ENERGY

- **Developmental tax incentives**
- **Production tax incentives**
- **Non-tax policies**

DEVELOPMENTAL TAX INCENTIVES

- **Investment tax credits**
- **Accelerated depreciation**
- **Immediate expensing**

PRODUCTION TAX CREDITS

- **Tax credits that encourage energy production from renewable energy**
- **Wind, solar, ethanol, biomass**

NON-TAX POLICIES THAT PROMOTE INVESTMENT IN RE

- **Direct investment incentives (grants)**
- **Research and development programs**
- **Renewable portfolio standard (RPS)**
- **Renewable set asides**

OBJECTIVES OF TAX AND NON-TAX POLICIES TO PROMOTE RE

- **Promote continuous technological improvements**
- **RE will become cost-competitive**
- **Phase out tax and non-tax policies**

“EFFECTS OF U.S. TAX POLICY ON GREENHOUSE GAS EMISSIONS”(1)

- **(1) Report released by National Academy of Sciences on June 20, 2013**
- **Results: Current U.S. federal tax provisions have minimal effect on GHG emissions**
- **Combined U.S. energy-sector tax subsidies in 2011 and 2012 totaled US\$48 billion**

THREE KINDS OF TAX PROVISIONS REVIEWED IN REPORT (P. 17)

- **Excise taxes (gasoline, diesel fuel, etc.)**
- **Inputs into production process (wind subsidies , solar subsidies, etc)**
- **Broad-based tax expenditures (accelerated depreciation, etc.)**

GUIDANCE FOR CLIMATE TAX POLICY FROM NAS REPORT

- **Tax incentives to encourage research and development are encouraged**
- **Target GHG emissions through taxes or tradable allowances encouraged**

“WIND-POWER TAX CREDITS NEED TO BE BLOWN AWAY”(2)

- **(2) Lamar Alexander, Wall Street Journal, May 8, 2014, A17**
- **Wind credits waste money “Wind power is a mature technology”**
- **Wind subsidies undercut reliable base load electricity**
- **Wind subsidies harm the environment**

LIFE OF A GOVERNMENT PROGRAM

- **Statement by Ronald Reagan:**

“the nearest thing to eternal life that we’ll ever see on Earth is a government program”

BIRTH OF A CLIMATE MAFIA(3)

- **(3) Holman Jenkins, Jr., Wall Street Journal, July 13, 2014, A13**
- **Subsidies and mandates create vested interests in inefficient RE**
- **First-best policy choice is a carbon tax**
- **Second-best policy choice is to do nothing and skip green pork bonanza**

THE REAL CLIMATE ‘DENIERS’ ARE THE GREENS(4)

- **(4)Robert Bryce, Wall Street Journal, February 9, 2014, p. A15**
- **Higher energy costs in European Union because of RE**
- **Fracking in U.S. has reduced GHG emissions more than RE**

MAKING CO2 AN ENERGY ASSET(5)

- **(5) Rebecca Smith, Wall Street Journal, July 16, 2014, p. B6**
- **Inject CO2 into aging oil fields to increase output**
- **U.S. Energy Department funding eight major carbon-capture demo projects**

SAVING THE ENVIRONMENT FIRST DO NO HARM

- **Wind power (contaminates ground water, noise, kills birds)**
- **Biomass (emits hazardous pollutants)**
- **Solar energy (destroys habitat, potential for noxious chemicals)**

CONCLUSIONS OF PAPER

- **(Conclusions assume no carbon tax or tradable allowances)**
- **Eliminate subsidies for renewable energy**
- **Increase government funding for research and development**