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The Economic and Business Case for Bipartisan Climate Policy

The Committee on Ways and Means
U.S. House of Representatives

May 15, 2019

Chairman Neal, Ranking Member Brady, and members of the Committee, thank you for this opportunity to discuss why America's leading companies and economists are calling for a bipartisan national climate solution that is pro-environment, pro-business and pro-American worker.

I am the Chairman and CEO of the Climate Leadership Council. We launched two years ago with the release of the "Baker-Shultz Carbon Dividends Plan," co-authored by former Secretaries of State James A. Baker III and George Shultz, among other senior statesmen. We believe this plan offers the most promising basis for a much-needed bipartisan climate breakthrough.

We have since assembled the broadest climate coalition in U.S. history to advance a national solution. As you can see from my first slide, our coalition includes 19 corporate sector leaders from a wide range of industries. It also includes top environmental NGOs and opinion leaders from across the political spectrum.

This remarkably broad coalition is working together to develop the policy specifics of our plan. While they do not agree on every detail, they agree that our carbon dividends framework offers a consensus way forward that bridges partisan divides, strengthens our economy and protects our environment.

Our plan is based on the soundest of economic principles. To highlight this, we recently organized the largest and most prominent public statement in the history of the economics profession. The Economists' Statement on Carbon Dividends was published earlier this year in *The Wall Street Journal*.

Its original co-signatories include all 4 former chairs of the Federal Reserve, all 8 former Republican chairs of the Council of Economic Advisers, 7 former Democratic CEA chairs and 27 Nobel laureate economists. It was also signed by over 3,500 U.S. economists.

All these economists agree that putting a direct price on the carbon content of fossil fuels is the most cost-effective way to reduce emissions. The Baker-Shultz Carbon Dividends Plan starts from this premise. It is based on four interdependent pillars:

First, a gradually rising and revenue-neutral carbon fee starting at \$40 per ton.

Second, returning all the money raised directly to the American people through equal quarterly payments. A family of four would receive approximately \$2,000 per year in “carbon dividends.”

Third, streamlining carbon regulations that are no longer necessary in the presence of a robust and rising carbon price.

Fourth, a border carbon adjustment to protect the competitiveness of American firms and encourage other countries to follow suit.

The reason the broadest climate coalition in U.S. history is coalescing around this four-part plan is because it addresses the legitimate concerns of all key stakeholders in the climate debate and enables each to realize an important victory.

Allow me to briefly review the benefits.

Pro-Environment: As my second slide shows, a carbon fee starting at \$40 per ton, as we propose, would exceed the U.S. Paris commitment by a wide margin and achieve far greater emissions reductions than all prior climate regulations combined.

Pro-Business: The plan’s environmental ambition justifies a “grand bargain” that trades a robust and rising carbon price for regulatory streamlining. This offers businesses the certainty and flexibility they need to innovate and make long-term investments in a low-carbon future.

Equitable: The vast majority of American families will receive more in carbon dividends than they pay in increased energy costs. This is a game changer because it aligns – for the first time – the economic interests of American workers with climate progress.

Revenue-Neutral: A common concern is that solving climate change may be costly, requiring higher taxes and deficits. The Baker-Shultz plan, by contrast, is revenue-neutral. It would “finance” the transition to a low-carbon economy by incentivizing individual and corporate behavior and by leveraging the resources of the private sector.

Pro-Competitiveness: To quote from the previously mentioned statement of leading economists, our plan would “enhance the competitiveness of American firms that are more energy-efficient than their foreign competitors.”

Popular: We recently commissioned the Luntz Group to poll this plan, and their full results will be released next week. Here is a preview: our plan has majority support across party lines, including 4-1 support overall and 7-1 support among Republicans under 40.

Just as industry and environmentalists in our coalition are working together, we urge members of this committee to work together on a bipartisan climate solution. The Council and our Founding Members stand ready to help in any way we can.

Thank you.

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Corporate Founding Members



Energy Founding Members



NGO Founding Members



Individual Founding Members

Ben Bernanke
Steven Chu
Ray Dalio
Martin Feldstein
Ted Halstead

Stephen Hawking
N. Gregory Mankiw
Paul Polman
Klaus Schwab
Thomas Stephenson

Lawrence Summers
Ratan Tata
Rob Walton
Christine Todd Whitman
Janet Yellen

Distinguished Co-Authors

James A. Baker, III

George P. Shultz

CLIMATE
LEADERSHIP
COUNCIL

FOUNDING MEMBER STATISTICS (AS OF 5/20/19)

TOTAL # OF COMPANIES:	20	MARKET CAP:	\$3.4 TRILLION
FORTUNE 100 COMPANIES:	11	ANNUAL REVENUE:	\$2.2 TRILLION
GLOBAL 150 COMPANIES:	14	WORKFORCE:	2.4 MILLION

SECTOR LEADERS

- ❖ Five oil and gas supermajors (BP, ConocoPhillips, Shell, Total and ExxonMobil)
- ❖ #1 and #2 largest automobile manufacturers in the U.S. (GM and Ford)
- ❖ Largest utility in the U.S. (Exelon)
- ❖ Largest telecommunications company in the world (AT&T)
- ❖ #1 and #2 largest household products companies in the world (P&G and Unilever)
- ❖ Largest insurance company in the world (Allianz) and largest U.S. life insurer (MetLife)
- ❖ Largest energy company (ExxonMobil) and solar company (First Solar) in the U.S.
- ❖ Second largest technology company in the world (Microsoft)
- ❖ Largest food and beverage company in the U.S. (PepsiCo)
- ❖ Largest health care company in the world (J&J)
- ❖ Largest engineering firm in the world (AECOM)
- ❖ Four of the largest environmental NGOs in the U.S. (CI, TNC, WRI and WWF)