

Frequently Asked Questions

About the NYS Carbon Tax

Is a carbon tax needed to reduce climate change?	Yes. The biggest obstacle to clean energy is that the market prices of coal, oil and gas don't include the true costs of carbon pollution. A robust and briskly rising U.S. carbon tax will transform energy investment, re-shape consumption, and sharply reduce the carbon emissions that are driving global warming. A carbon tax is an "upstream" tax on the carbon content of fossil fuels (coal, oil and natural gas) and biofuels. A carbon tax is the most efficient means to instill crucial price signals that spur carbon-reducing investment. (Carbon Tax Center)
Which types of fuels should bear taxes?	All fossil fuels will bear taxes under the current bill. These include oil, coal, and natural gas.
How will the taxes be levied?	Taxes would be levied on the purchase of fossil fuels at the wholesale level; for those not covered under this area, taxes would be levied carrying fuel into the state for own use or for use by another principal. Fuel extractors and importers would be free to pass on their carbon tax costs to the next step(s) in the supply chain — largely wholesalers and refiners — who in turn would do the same with their customers.
What will the impact be on carbon emissions?	The carbon tax will greatly reduce the amount of carbon emissions stemming from consumption of fossil fuels.
What will the impact be on the economy?	The economy will not be negatively impacted, as consumers shift spending to less fossil-fuel intensive sectors and revenue from the tax creates jobs in construction, manufacturing, and research.
How will the revenues be distributed?	This carbon tax will be returned to lower and low-middle income consumers and the rest will be spent on supporting the transition to clean energy in New York State, augmenting mass transit to reduce carbon emissions, and improving climate change adaptation. At the base rate of \$35, the revenues would amount to over \$3.5 billion.
Are there necessary complements to this carbon tax?	A necessary complement to a carbon tax is effective marketing of the program, and consumer education about how the tax is implemented, how revenues are distributed, and how carbon intensive activities can be reduced.
What is the expected political impact of this carbon tax?	A state-level tax is expected to act as a model for other state-level taxes and for a national-level tax. Therefore when constructing the tax, we must consider not only the needs and characteristics of New York State, but also those of the United States as a whole.
How will this tax accommodate RGGI?	RGGI is a cap and trade system. The carbon tax could be imposed on top of RGGI, which has recently priced carbon dioxide at only \$5 per metric ton; the tax itself can be passed on to the end consumer.
What are the tax revenues by year?	In Year One of implementation, carbon tax revenues would amount to \$4.4 billion, in Year Two, \$6.2 billion, in Year Three, \$7.9 billion, in Year Four, \$9.5 billion, and in Year Five, \$11 billion. At the last point, revenue would amount to \$14.3 billion in 2040.
How will the price of a gallon of gas increase over time?	At \$35/mtCO ₂ , it is 31 cents, at \$65/mtCO ₂ , it is 76 cents, at \$95/mtCO ₂ , it is \$1.11, and at \$180//mtCO ₂ , it is \$1.58 per gallon.
How will the price of heating oil increase over time?	At \$35/mtCO ₂ , it is 31 cents, at \$65/mtCO ₂ , it is 57 cents, at \$95/mtCO ₂ , it is 83 cents, and at \$180/mtCO ₂ , it is \$2.11 per gallon.