

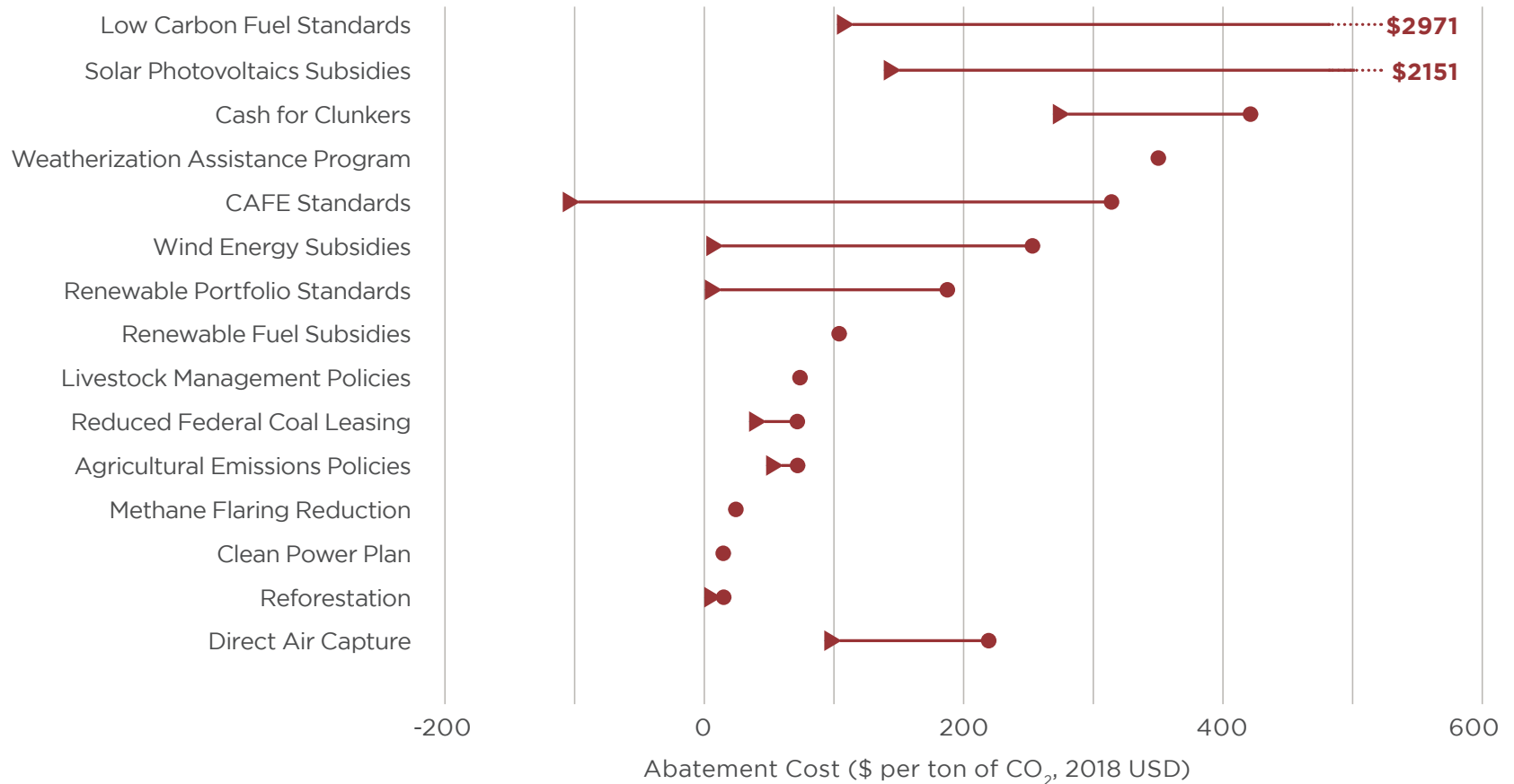


U.S. ENERGY & CLIMATE ROADMAP

Put a Price on It: The How and Why of Pricing Carbon

Michael Greenstone
Milton Friedman Distinguished Service Professor in Economics; Director, EPIC;
Director, Becker Friedman Institute

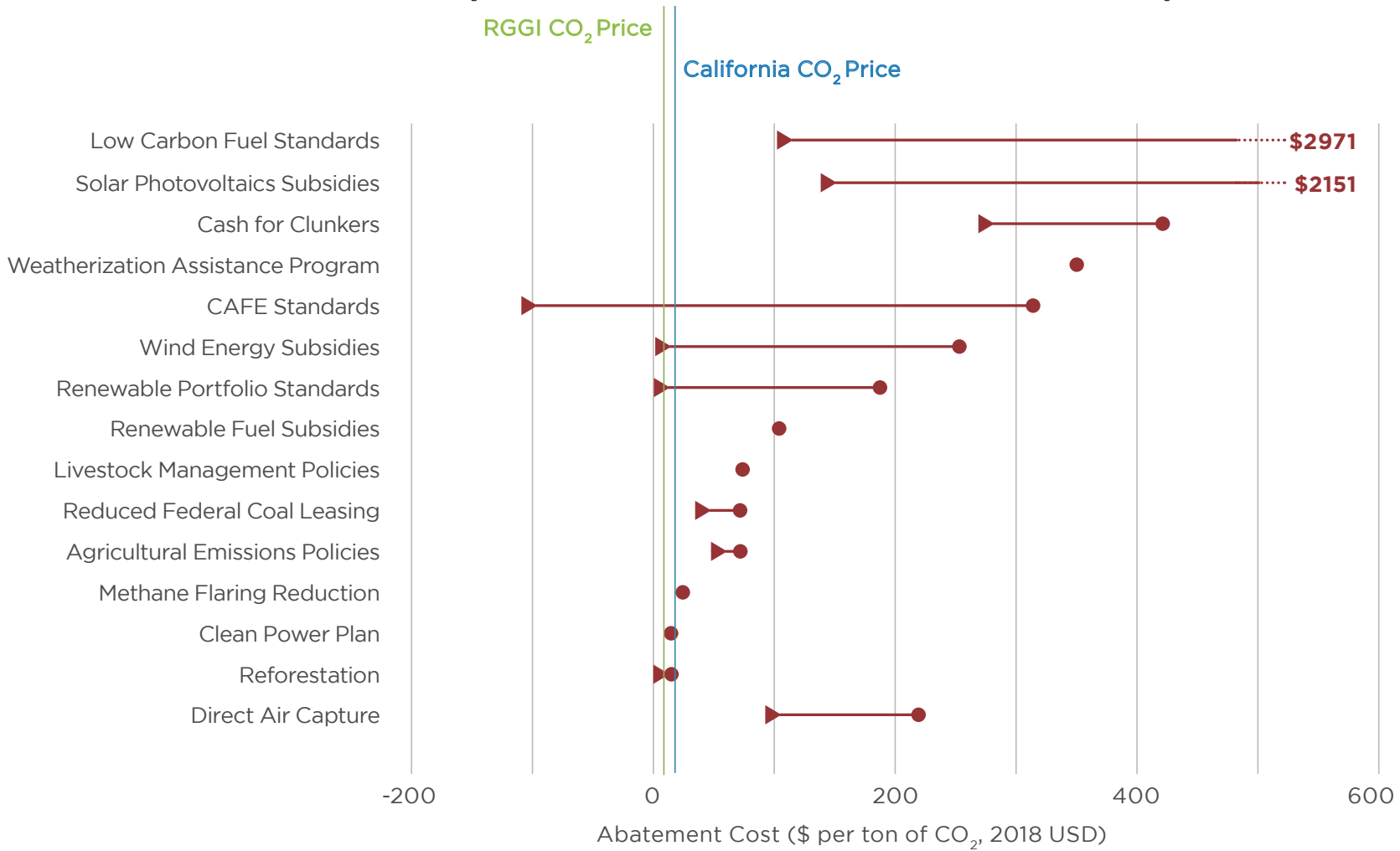
Current U.S. Policy is Piecemeal and Often Expensive



Source: EPIC analysis with data from Gillingham and Stock (2018)

▶ Low ● High

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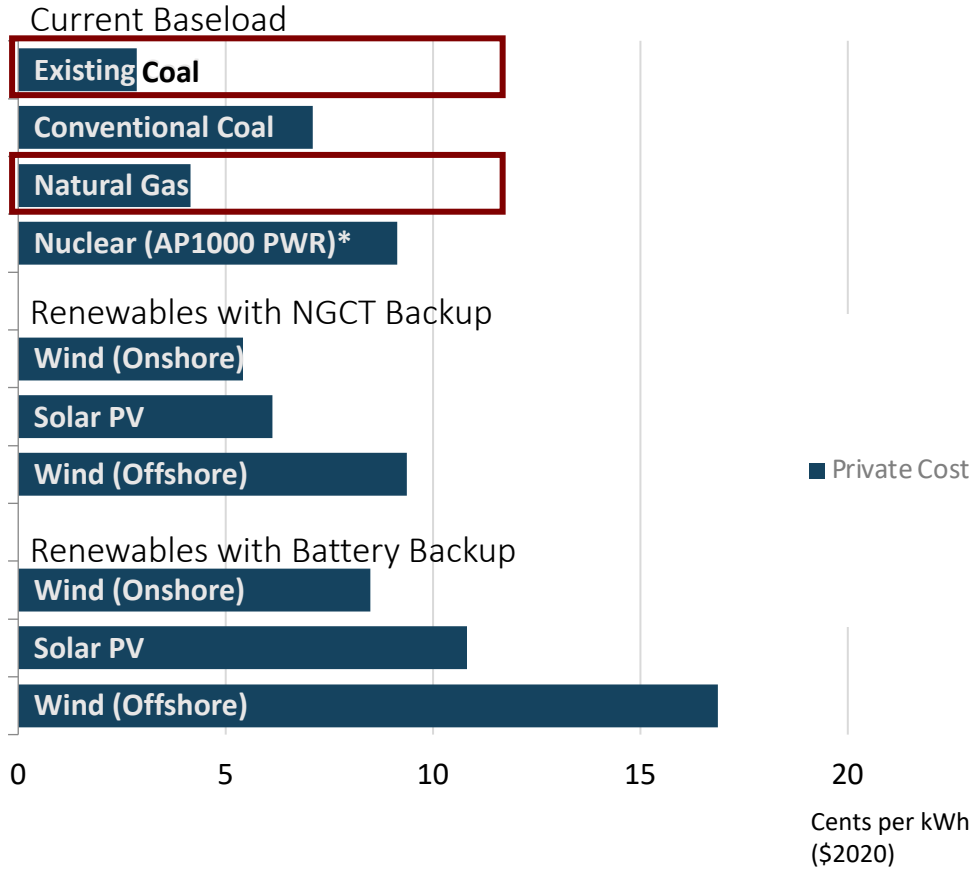


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Carbon Pricing Can Reshape the Energy Market

Levelized Cost of Energy for New Plants in 2024

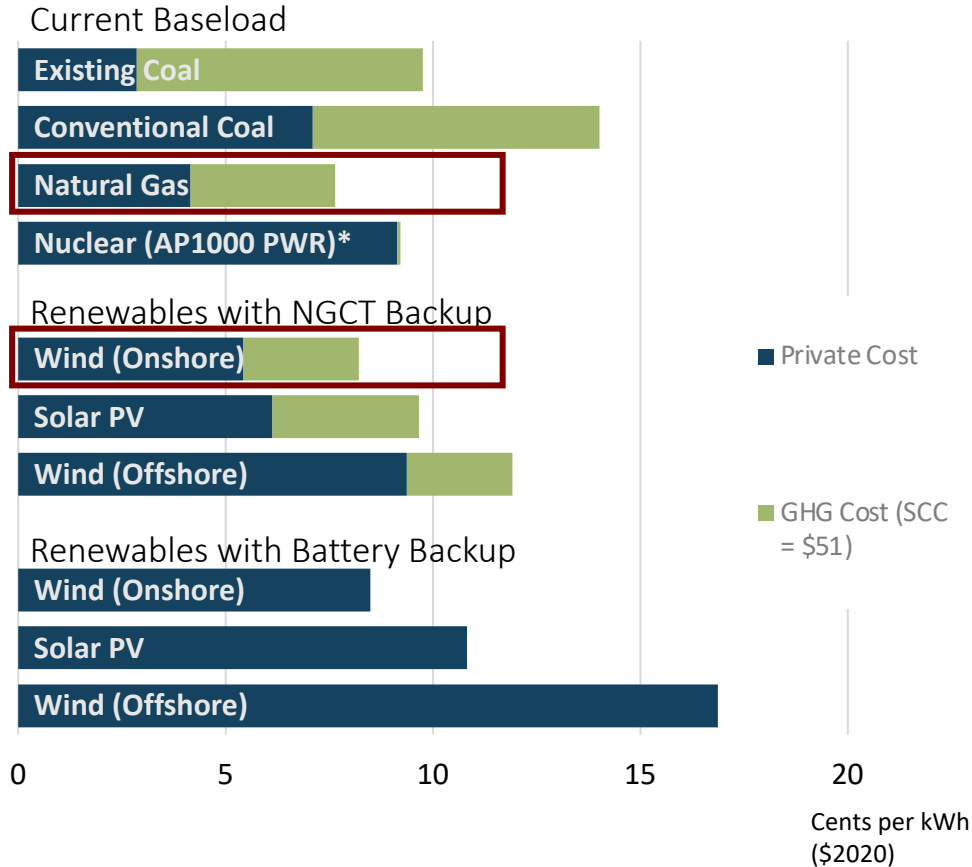


Source: EPIC Analysis

- Presenting energy costs in strictly private terms heavily favors conventional fossil generation

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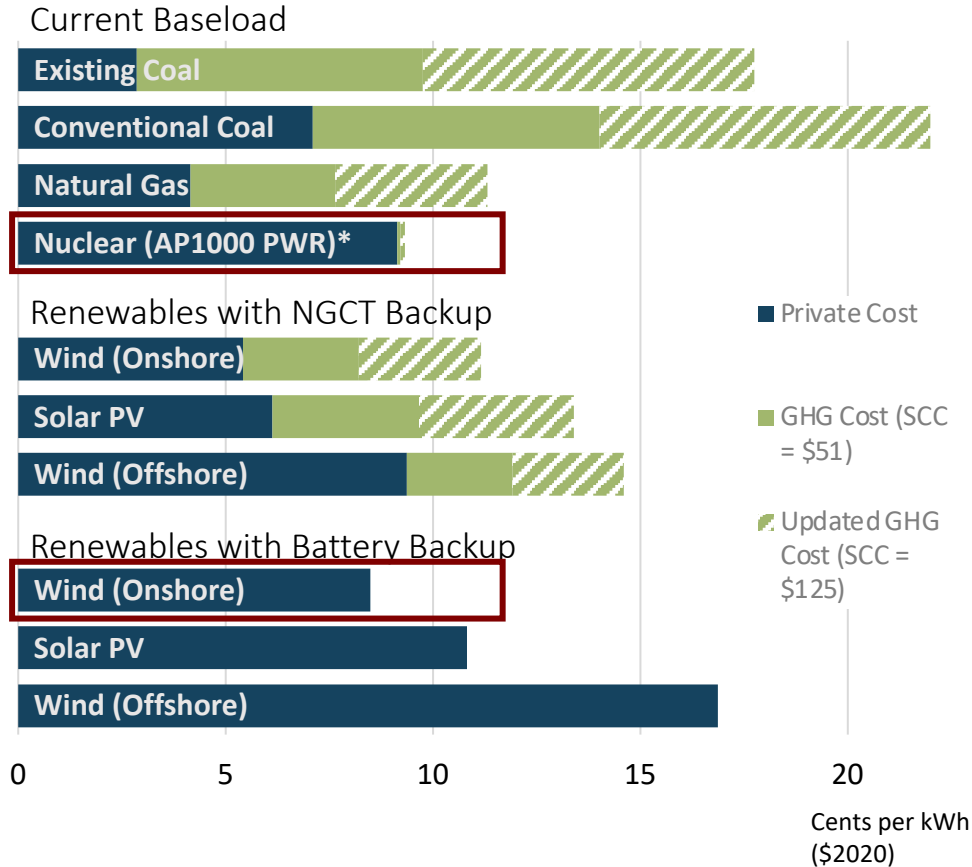


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- Presenting energy costs in strictly private terms heavily favors conventional fossil generation
- Carbon pricing in line with conventional SCC estimates levels the playing field

Carbon Pricing Would Allow Technologies to Compete on a Level Playing Field

Levelized Cost of Energy for New Plants in 2024



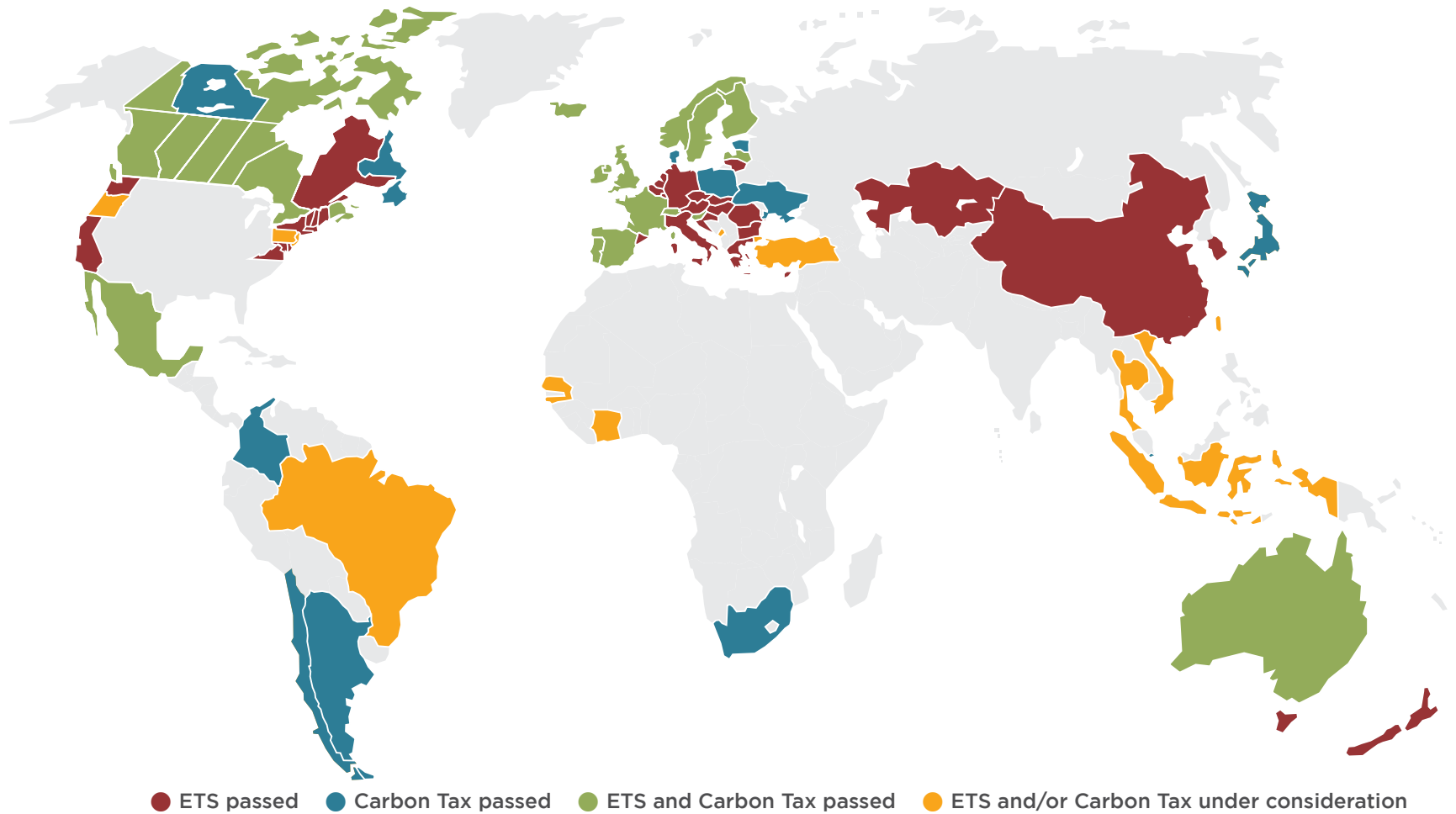
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Five principles to guide carbon pricing:

1. A **uniform economy-wide** carbon price is most efficient
2. The **Social Cost of Carbon** is an appealing benchmark for the level of a carbon tax
3. Technology and sector-specific mandates reduce the **cost-effectiveness** of a carbon price
4. Carbon pricing produces revenues that can be used for a variety of purposes, including the **protection of low-income households** from disproportionate impacts
5. Carbon pricing policy should be designed to **protect American industries** and encourage **international climate action**

The U.S. Lags Peer Countries on Carbon Pricing



Source: World Bank

EPIC INSIGHT

Americans Support a Carbon Tax

44% of Americans surveyed support a carbon tax, while 29% oppose one.

59% support a carbon tax if the funds are used to support R&D for renewable energy.

49% support a carbon tax if the revenues will be rebated to households.

- EPIC/AP-NORC Poll



Get more evidence-based policies for effective energy and climate action

Download the U.S. Energy & Climate Roadmap at epic.uchicago.edu

