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## Does the country need a big gas tax?

**Even though energy prices are cheap, many say a straight-up tax on oil and coal is the best way to stop global warming and move the country to cleaner fuels.**

By [Steve Hargreaves](#), CNNMoney.com staff writer  
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NEW YORK (CNNMoney.com) -- To save the planet and move away from imported fuel, some say a big energy tax is the best way to go.

If the nation is going to develop fuel alternatives that will clean the air, limit global warming and make it energy independent, making fossil fuels more expensive is essential, supporters say.

Otherwise, fossil fuels are just too cheap to let alternatives emerge on a big scale.

And many say that with gas and oil prices currently so low, it's the ideal time to push through a hefty tax. Besides, they say eventually we're going to be paying more for our energy, so it is important to stimulate the development of alternatives now before an energy crisis strikes.

### **Clean energy: The next really, really big thing**

"What's at stake is whether or not America is going to be the winner in the next, great global industry," John Doerr, a venture capitalist at Kleiner Perkins, told Congress Wednesday that higher fossil fuel prices are, among other things, essential if the U.S. is going to develop renewable industries.

The prospect of making fossil fuels more expensive is nearly a foregone conclusion. Even when gas prices were over \$4 a gallon this summer, both Democrat and Republican presidential candidates were pushing for regulations on greenhouse gasses.

Even Exxon Mobil ([XOM](#), [Fortune 500](#)), long accused of funding global-warming naysayers, seems to accept that some type of regulation is forthcoming and necessary.

What's at issue now is how it should be done.

Congress will almost certainly debate a law capping greenhouse gas emissions in the coming year - a kind of tax wrapped in the guise of the free market.

There's a decent chance the proposal will pass, ushering in higher prices for everything from electricity to

manufactured goods, as companies are forced to either clean up their emissions or buy permits to pollute.

Proponents of this plan - known as cap-and-trade - say it's needed because it uses market forces to bring about guaranteed reductions in greenhouse gasses. It's also modeled on a tried and successful plan to reduce acid rain, and is similar to the global plan already under way to limit greenhouse gasses - the Kyoto Treaty.

#### Carbon tax

But critics say this cap-and-trade is little more than a cop-out - an easy way for politicians to duck an unpopular tax. The most efficient way to cut greenhouse gasses, many economists say, is a simple tax on carbon dioxide.

This isn't the small 10 cent-a-gallon increase proposed recently to pay for more road work. This would be a hefty tax designed to cut fossil-fuel use.

A carbon tax, as explained by Dan Rosenblum of the Carbon Tax Center, would be a tax on oil, natural gas or coal levied at either the refinery, well head or mine mouth.

Naturally, energy companies would pass this tax on to consumers, who could expect to see a \$1-a-gallon increase in the price of gasoline and a \$70 increase in the average monthly household electric bill once the taxes were fully phased in over 10 years, according to numbers from the Carbon Tax Center.

The carbon tax is five times more efficient than a cap-and-trade scheme, said Rosenblum, because it cuts out the need to administer the program - which would need a permitting agency, inspectors to monitor emissions, a carbon exchange futures market and Wall Street banks that would likely run it.

#### Exxon: An unlikely proponent

Even Exxon, the world's largest publicly traded oil company, favors a carbon tax over a cap-and-trade system.

"A carbon tax strikes us as a more direct, transparent and effective approach," Rex Tillerson, Exxon's chief executive, said at a speech in Washington Thursday. "It is the most efficient means of reflecting the cost of carbon in all economic decisions - from investments made by companies, to fuel and product choices made by consumers."

Supporters of cap-and-trade doubt a carbon tax would be more efficient, and say the flexibility offered by cap-and-trade make it a better solution.

"We have a system that is preferable to most of the people involved - companies, regulators and the international community," said Eben Burnham-Snyder, a spokesman for Rep. Ed Markey (D-Mass.) of the House Select Committee on Energy Independence and Global Warming.

There are, of course, opponents of making fossil fuels more expensive at all, and they generally fall into two camps.

Some, like Sen. James Inhofe (R-Okla.) who once famously called global warming the "greatest hoax ever perpetrated on the American people," simply don't think it's a big deal.

Others say it may be a big deal and we should do something about it, but not now - not when the country is in the midst of the worst recession in decades.

To this last point, Rosenblum and other supporters say the carbon tax can be offset with tax breaks, like a reduction in the payroll tax.

That way, they say, the government could discourage something it doesn't want - pollution - and encourage something it does - employment - through the tax code.

Still, a carbon tax has attracted scant supporters in Congress.

When Rep. Peter Stark (D-Calif.) proposed one last year, it attracted a total of three co-sponsors among the 435 House members.

"I know it's widely popular and makes a lot of sense to economists and academics," said one Democrat Senate staffer. "But unless a member of Congress was considering early retirement, it's not an approach they would consider on the Hill. It's political suicide." ■

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