



1 Beacon Street, 16th Floor
Boston, MA 02108

www.aimnet.org | 617.262.1180 | fax 617.536.6785

Questions and Answers

S1821 – An Act Combating Climate Change.

What Sources are Covered?

All sectors EXCEPT grid power generation (transportation, boating, aircraft, non-highway, home heating, and commercial and industrial use, including on-site electricity generation). This includes all fuels that emit carbon – gas, diesel, natural gas, oil, propane, etc.)

How Much Will I Pay?

The fee begins at \$10 per ton of carbon dioxide emitted (based on emission factors developed by the Department of Energy Resources (DOER) and the Department of Environmental Protection (DEP)), increasing \$5 per ton every year until the rate is \$40 per ton in year 7 – with increases or decreases after that time with review by the DOER.

Impact on gasoline and diesel

At \$10 per ton the first year, gasoline prices will increase by approximately 10 cents per gallon, with a 5 cent increase every year, until the tax reaches about 36 cents. Diesel prices will rise about 11 cents per gallon initially and follow the same trajectory to 44 cents 6 years after the tax begins.

At annual driving of 12,000 miles with a car averaging 21 miles per gallon, a consumer will pay will pay approximately 60 dollars extra per year, increasing to 240 dollars per year.

By comparison, the current state gasoline tax is 24 cents per gallon and was raised in 2013. A law to increase the gasoline tax the rate of inflation automatically (which would have added about 1 cent per year to the existing gasoline tax) was defeated by voters in a ballot referendum in 2015. (Note: AIM supported both the increase in the gasoline tax and the inflation adjustment as the money was earmarked for state transportation needs).

Impact on Natural Gas used for heating and process use

There may be some variation depending on the emissions factors developed for your use, but as a rough guide, for customers using 1000 therms (annual average use of natural gas for residential customer) the annual cost would be 60 dollars initially rising to 240 dollars in year 6.

Business may calculate their annual cost by using the above formulas.

How much will the new fee raise?

Gasoline and diesel

The total amount raised annually by the carbon tax will be about 600 million dollars initially, increasing to 2.4 billion as the tax increases to 40 dollars per ton of emitted carbon.

Cost (in millions of dollars) to consumers per year, per sector							
Sector	Year 1 (\$10/ton)	Year 2 (\$15/ton)	Year 3 (\$20/ton)	Year 4 (\$25/ton)	Year 5 (\$30/ton)	Year 6 (\$35/ton)	Year 7 (\$40/ton)
Residential ¹	144	216	288	360	432	504	576
Commercial ²	78	117	156	195	234	273	312
Industrial ³	37	55.5	74	92.5	111	129.5	148
Transp ⁴	330	495	660	825	990	1,155	1,320
Total	589	883.5	1,178	1472.5	1767	2061.5	2,356

What will be done with money?

All monies, minus administrative expenses will be returned to residents of Massachusetts and employers in accordance with a formula outlined below (exact process to be determined later)

- Each resident shall receive an equal rebate, EXCEPT residents of rural municipalities (one in which resident's drive, on average, 130% or more per year of the statewide average number of miles driven per household in the commonwealth) shall receive a rebate of 30% more than non-rural residents from the motor fuels fund.
- Each employer will receive a proportional share based on their total employment as part of statewide total. Some sectors of businesses could receive more

Why AIM is concerned with the proposal?

- There are nearly 7 million residents in Massachusetts and 250,000 employers in Massachusetts. The administrative burden will be massive and the funding for this burden will be taken from the proceeds of the carbon tax, diluting available rebates.
- In the transportation sector, all residents will receive checks even if they do not drive or of driving age or own a vehicle, diluting the rebates. In addition, rural residents will receive 30% more than non-rural residents.
- Non-Transportation sector uses of fossil fuel already pay a defacto carbon tax to reduce uses and once efficiency has been done, this tax is inescapable.
- Public transportation and multi-passenger vehicles is not exempt from the carbon tax, even though we should be encouraging such use

¹ Residential fees will be largely generated from the use of heating oil and natural gas for space heating,

² Commercial fees will be largely generated from the use of heating oil and natural gas for space heating,

³ Industrial fees will include fuels used for space heating, process and on site electricity generation

⁴ Transportation include gasoline and diesel

- On site generation of electricity (CHP) is not exempt from the carbon tax, discouraging its implementation even though it is more efficient and better for the environment.
- While the money is stipulated to be returned as rebates there is no guarantee that such money will not be used for other purposes as other earmarked fees have been put into the general fund despite initial promises.