

*****AS PREPARED FOR DELIVERY*****

U.S. Senator Brian Schatz

Remarks at the American Enterprise Institute – The American Opportunity Carbon Fee Act of 2017

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First of all, I'd like to thank AEI for hosting this event today. I know that researchers here are split on this idea. But what I appreciate is that AEI maintains its conservative credentials without being monolithic in its views. And we need more of that in this country. That's why we're here. This event is one of many examples of how AEI is a place for serious debate.

This is what Washington should be doing. We should discuss ideas. We need more organizations—from left, right, and center—to follow your lead and become a place to debate policy.

I'm hoping that, since you are here today, you believe that climate change is something the government needs to be concerned with, and that there is a role for public policy to play. We can't properly start a conversation about this idea without acknowledging that our planet is in crisis, and that, as the indispensable nation, America has a unique responsibility to future generations to act.

I believe that a price on carbon is the best option we have for bipartisan action. And it is one of the best options we have for tackling climate change, full stop. It's straightforward. It's simple. Companies pay a fee based on the emissions they're responsible for. And our bill is, frankly, quite elegant.

Senator Whitehouse will talk more about this, but I'll just say that by assessing the fee as far upstream as we do, our bill ensures that we are able to address nearly all greenhouse gas emissions. The idea is simple: unleash markets to tackle climate change. It establishes a set of incentives that allows capital to flow and businesses to thrive when they use clean energy, letting the free market compete and innovate and make profit.

So we're not telling you to reduce carbon. We're saying, emit carbon if you want, but you have to pay the costs of your actions rather than pushing that burden onto society as a whole.

Here's another reason why conservatives who care about the climate ought to consider supporting this idea: putting a price on carbon does not expand the regulatory state. There won't be an office created at EPA to manage this. It relies on the market to do the work while creating revenue and predictability. And that predictability makes a difference for utilities, manufacturers, and anyone else that needs to make long-term infrastructure investments. These companies need certainty. One of the main reasons for a carbon fee is to settle this thing once and for all.

It is challenging to make investment choices when the private sector is subjugated to the idiosyncrasies of politics. They've faced the Clean Power Plan and Paris, and now there's no

Clean Power Plan, and no Paris. And in the meantime, companies are trying to plan a business strategy beyond four years. Carbon pricing put in place by Congress is much more certain than an executive order that can be overturned or not enforced.

And you don't have to take my word for it. Corporate America is organizing for this very reason.

Oil companies and big-name brands have joined together to support a carbon tax proposal by the Climate Leadership Council. Last month, they published a full-page ad in the Wall Street Journal in support of carbon pricing. And one of the top benefits they cited was predictability for business.

They are part of growing support outside liberal Democratic circles for carbon pricing. And there are more and more conservatives who think it's a good idea, from Kevin Hassett, who supported this idea back in 2007, to James Baker, who is leading the charge on behalf of conservatives today.

Art Laffer, a member of Reagan's Economic Policy Advisory Board, has even made the case that you don't have to care about climate change to support carbon pricing.

In 2008, he said: "All we need to assume is that burning less fossil fuels would be a good thing." Greg Mankiw, who ran President George W. Bush's Council of Economic Advisers, has advocated for carbon pricing for more than a decade.

And he has made one of the best economic arguments for this policy by saying that the sooner we deal with climate change, the less it's going to cost us.

And the good news is that we are about to have a window of opportunity for action through tax reform.

I don't have to tell this group that both politically and fiscally, tax reform is a tough battle. Republicans don't have a source of revenue that will get a majority of votes in the House of the Senate. Instead, we're hearing ideas like a border adjustment tax.

But what a voter hears is actually a tax on groceries. You know what's much more politically palatable than a tax on bananas? A tax on pollution.

It will win support from voters, and it will also win support from Democrats. I can't think of any other way that you would get liberals voting to cut corporate tax rates.

Our bill raises more than \$2 trillion over ten years, which is more than any other politically untenable proposals. So if you want to create room for broad-based reform of the tax code, this is the way to do it on a bipartisan basis.

Carbon pricing will go a long way in paying for lower taxes on corporate income, or anything else. So politically and fiscally, this is a sound policy idea that needs to be included in the debate.

With carbon pricing, we have a window to give certainty to the energy industry, give reprieve to the climate, and give Republicans some revenue to get tax reform done.

The only thing we're missing is a Republican or two to get on the bill. And we're hoping that, with your support, we can make that happen.

I want to end by saying that climate change is a real problem that deserves serious consideration from conservatives.

There are some issues that Democrats are happy to own, where it's just not realistic for the parties to come together because we have philosophical differences. But the desire to save the planet for our children and grandchildren cannot be the exclusive domain of one political party. And there is a rich tradition in the United States of conservative environmentalism.

So if carbon pricing is not your preferred solution, that's fine. I'd like to hear any ideas you have. But let's get serious about tackling this issue as Americans. We have to find a way forward. And it's my hope that tax reform is the window we've been looking for.

Thank you.