

RSC Policy Brief: National Energy Tax Fall Session Update *September 18, 2009*

Over the course of the past week, two important announcements have been made contradicting House Democrats claims that the H.R. 2454 will “create millions of new clean energy jobs, save consumers hundreds of billions of dollars in energy costs, enhance America’s energy independence, and cut global warming pollution.”

In fact, the Obama administration [reluctantly admitted](#) to American taxpayers that implementing a “cap and tax” scheme would ***cost households an extra \$1,761 a year***. An analysis drafted by the Department of Treasury and obtained through the Freedom of Information Act concluded the proposal would cost up to \$200 billion per year – a ***15% increase in personal income tax liability***. The Treasury report basically confirms what many already knew, in [study](#), after [study](#) after [study](#), each have found that cap and tax will lead to massive tax increases on every sector of the American economy. This is a tax that will affect constituents in ***every*** aspect of their lives. From transportation, to food, to electricity, to income - this is the ultimate regressive consumption tax.

Additionally, the Congressional Budget Office (CBO) released a [report](#) this week that concluded that H.R. 2454 would ***reduce the gross domestic product (GDP)*** of the United States by as much as ***3.5 percent*** in 2050. The CBO projected that H.R. 2454 would ***“come at some cost to the economy.”*** In other words, this week CBO confirmed that moving into a “cap and tax” system would place the United States economy at a distinct competitive disadvantage because it would place additional costs on American manufacturers and cede market share to overseas competitors.

It is anticipated the Senate will release a draft climate bill next week. However, Senate Democrats are [having difficulty](#) building consensus on whether to even move forward on cap and tax legislation this year. Just this week, Senate Majority Leader *Harry Reid (D-NV)* said the Senate may not act on climate change legislation until next year, given the chamber's busy fall schedule.

If the Senate fails to Act, the Administration has not ruled out having Environmental Protection Agency (EPA) Climate Czar, Carol Browner, act on a released “endangerment finding” that determined carbon-dioxide emissions are a danger to the public and eventually propose new rules to regulate emissions of greenhouse gas from a range of industries. By regulating CO2 through the Clean Air Act, Browner can impose regulations to govern greenhouse-gas emissions from all sorts of industries including, coal-fired power plants, refineries, chemical plants, cement firms, vehicles and any other emitting sectors. In response to the concern over this potential EPA action, Rep. Marshall Blackburn (R-TN) introduced legislation (H.R. 391) to prohibit the EPA

from regulating carbon dioxide under the Clean Air Act and harming the economy without Congressional approval.

The Republican Study Committee will continue to update staff of developments in energy policy develop as warranted. In addition, the RSC would like to highlight a number of Democratic inconsistencies exposed under H.R. 2454.

Democrat Inconsistency Alerts!

Broken Campaign Pledge - Transparency: According to proponents of this legislation, a national energy tax bill is one of the most significant pieces of legislation that Congress will ever consider. Only one of the nine committees of jurisdiction took time to review the bill. There was no Republican input in the drafting of the bill. Hastily bringing a measure of this magnitude to the floor, with inadequate time to review, violates the Democrats' campaign promise, that they would bring unprecedented transparency to the legislative process.

Broken Campaign Pledge - "No New Taxes": President Obama promised to not increase taxes on any family earning \$250,000 or less, and many House Democrats promised the same. H.R. 2454 is a regressive tax increase on every American – even for those in tax brackets so low they do not qualify to pay income taxes.

Paid Vacation? Great, but How Will We Afford to Get There? Over the past two months, gas prices have risen significantly. House Democrats believe implementing a massive new tax during record unemployment is the most appropriate way to bring our nation out of severe recession. The American Petroleum Institute estimates that H.R. 2454 could increase the cost of gas by as much as 77 cents a gallon, and the price of jet fuel by 83 cents. Even if House Democrats give us all a week of paid vacation, most of us will not be able to afford to go anywhere with the astronomical cost of gasoline.

More Bio-fuels? The Bill Undermines Their Development: Less than two years ago, Democrats in Congress asked our farmers to develop and make renewable sources of fuel, like bio-fuels, more affordable with the passage of the 2007 Energy Bill. H.R. 2454 imposes a massive tax on rural America that will make it more difficult for this to become a reality because many of the crops will be too expensive to yield affordable bio-fuels.

Energy Independence? The Bill Cuts Americans Off From Its Most Bountiful Energy Supply: H.R. 2454 will prohibit any additional coal fired power plants without carbon sequestration technology from being built in the United States after 2009. That technology is not currently feasible, and banning the production of coal-fired power plants will reduce electricity generation across the country and increase rolling blackouts, energy shortages, energy prices, and unemployment.

Green Jobs? More like the Unemployment Line: The bill provides unemployment checks for displaced workers: Despite the fact Democrats tout this legislation as a creator of so-called "green jobs," the bill creates a new program to administer unemployment insurance for workers displaced for three years.