CLIMATE

Washington votes no on a carbon tax — again

A New Green Deal goes down to defeat in the Pacific Northwest.

by **David Roberts**

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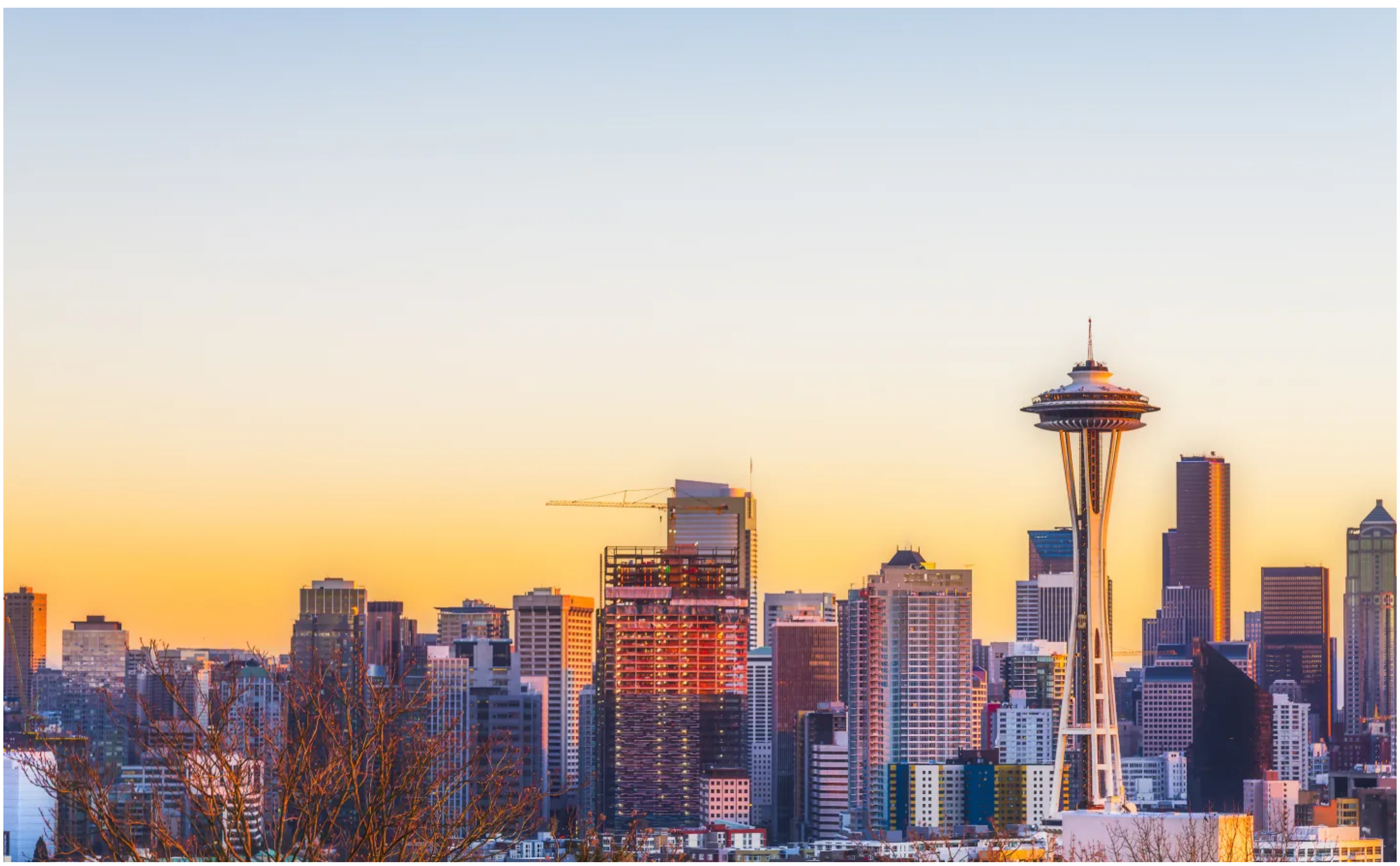

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UPDATE, November 6: Well, the results are in, and 1631 lost, pretty decisively (56-44). That makes two (or more, depending on how you count) comprehensive political strategies for carbon pricing in Washington that have failed. This is a serious setback for climate hawks. See below for an account of the stakes.

With President Donald Trump's administration dismantling federal climate policy as fast as it can, all eyes have turned to the states. And state leaders are stepping forward with big promises and inspirational rhetoric, attempting to rally the domestic troops, build some momentum, and signal to the world that the US isn't a lost cause.

The grim reality is that it's going to take a minor miracle for states to pick up all the slack. A lot of things need to break just the right way, in a lot of states. This dramatic context has lent an added intensity to climate policy battles even in smaller and lower-emitting states. Every battle is now a proxy battle in the bigger war for America's climate soul.

The fight has now come to Washington state around Initiative 1631, the Carbon Emissions Fee Measure.

A clean test of dueling climate political-economy visions

This Tuesday, for the second major election in a row, citizens of Washington will vote on a ballot initiative that would put a price on carbon emissions (among many other things). The first such ballot initiative, in 2016, failed, part of a long series of failures of climate policy in the state.

This year's effort hopes to ride the electoral blue wave and break Washington's climate losing streak. If it passes, Washington will take its place as a part of a growing West Coast climate vanguard, alongside California and Oregon, representing close to 20 percent of the US economy. If it fails, it will not only be a crushing blow to an already battered state climate community, but it will cast doubt on the larger states-will-save-us narrative, which is just about the only narrative US climate hawks have left.

To understand the climate policy at stake in Washington in 2018, it helps to contrast it to the one that went down to defeat in 2016.

That ballot initiative was called I-732. (I wrote a long story about it, if you want the full drama.) It's a complicated tale, and a bit of a Rashomon situation among state climate hawks, but what's clear is that the coalition behind 1631 is attempting to do just about everything, from politics to policy, the opposite way.

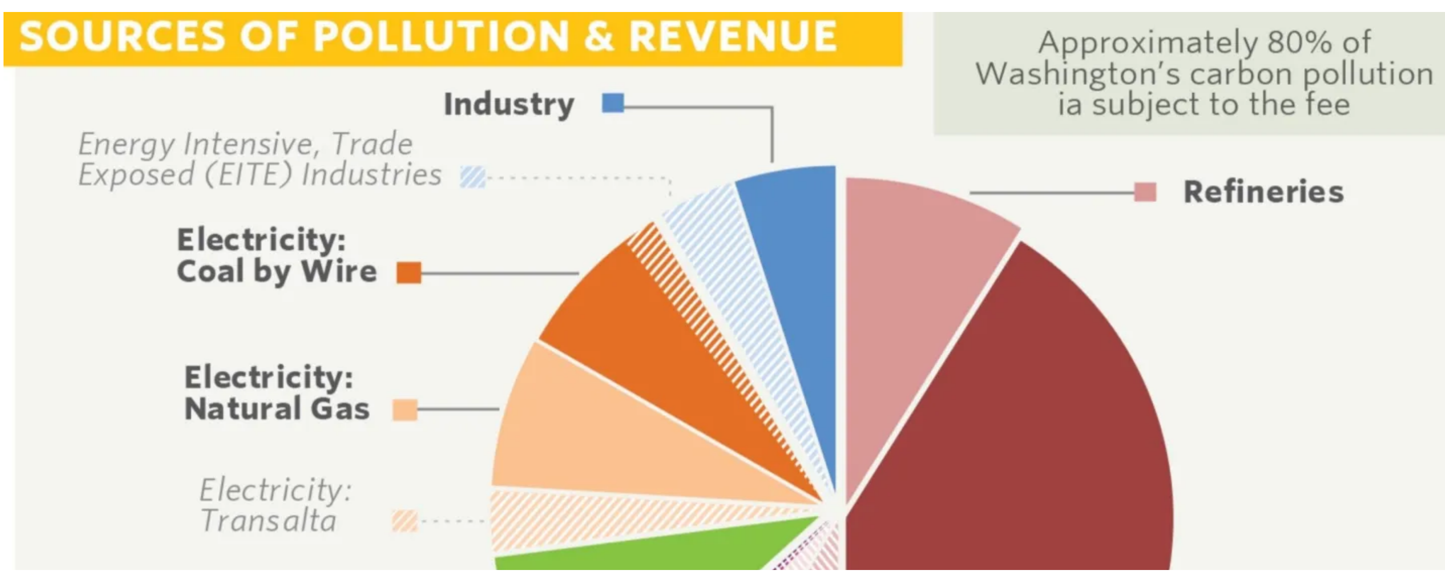
'Twas not to be. Yes On 732

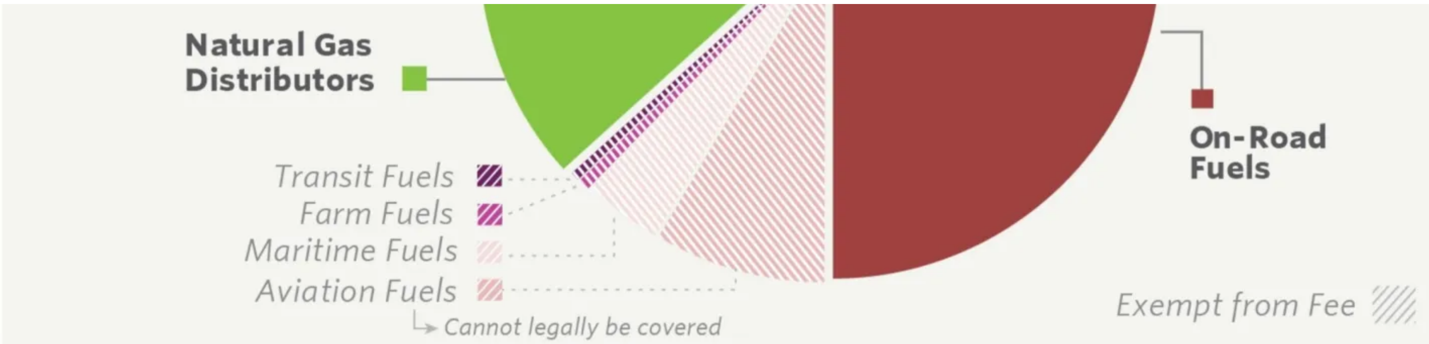
A carbon price alone versus a carbon price + investments

732 was a "revenue neutral" carbon tax, which means all the revenue raised by the tax would have been automatically returned as cuts in other taxes; the government would receive no new discretionary revenue to spend on carbon reductions or anything else. This is a longtime favorite climate policy among economists and wonks. It "taxes bads" and reduces distortionary taxes at once, all with no net increase in taxes, thus improving economic efficiency (at least in economists' models).

The tax would have started at $15 per ton in 2017, rising to $25 per ton in 2018, and then rising every year thereafter at 3.5 percent plus inflation, topping out at $100 a ton (in 2016 dollars).

By contrast, 1631's carbon fee would start at $15 per ton in 2020 and rise $2 a year (plus inflation) until 2035, where it would reach, depending on inflation, around $55. As long as the state is on track to hit its carbon targets, that's where it will stay.





Yes On 1631

In a great explainer at the Northwest sustainability think tank Sightline, Kristin Eberhard and David Van't Hof offer a helpful way to think about the difference: Through the 2020s, 732 would have had carbon emissions in the state in the $30s to $40s; 1631 will have it in the $20s to $30s.

1631's lower carbon price means that it will rely a great deal on investment of the carbon revenue to achieve similar emission reductions.

"Frankly, this is an investment vehicle much more than a price signal," says Washington Gov. Jay Inslee, who has publicly backed, and is raising money for, 1631. "It's a relatively low price signal, well below the real social cost of carbon. But you get the [carbon] savings from the investment side. We've modeled that, and I feel very confident it will work."

Supporters say reductions are locked in by regular state planning and review. “Carbon reduction investments and the price are tied to current state emissions reduction targets of roughly 25 million tons per year by 2035,” says Becky Kelley, president of the Washington Environmental Council.

Still, it’s a big bet to make on an investment-centric strategy.

Revenue neutral versus a boatload of new investment

Despite what its opponents on the left often said, in terms of its income effects, 732 was progressive — strongly so, maybe more so than the policy now being proposed in its stead. Its tax shifts (a cut in the state sales tax and full funding of the state’s working families tax rebate) were specifically designed to offset the regressive nature of the carbon tax. The net result would have left those lower on the income scale better off.

But by doing the wonky thing, by burying all the benefits of the policy in impersonal and largely invisible tax shifts, 732 denied itself any political bargaining power.

There was theoretically something in 732 for everyone — i.e., the moral satisfaction of having struck a blow against climate change — but there wasn't anything in particular in it for anyone in particular. It didn't "pick winners." That drew the approbation of economists, but it also left the policy without any potential winners to fight for it.

Perhaps it ought to be true that a blow against climate change and a general increase in tax fairness are enough to draw support from labor organizations, or communities facing present-day climate impacts, or low-income communities. But those groups have urgent problems and climate mitigation as such rarely rises to the top of the priority list. They are differentially impacted by climate change and rightly expect differential attention and support from climate policy. Without visible, tangible benefits on offer, they will not undertake the work of organizing.

One way or another, tangible, visible benefits means *money.* Real investments.

And so the 1631 coalition went all the way in the other direction from 732. Rather than returning all the carbon revenue in tax cuts, 1631 would return none of it in tax cuts. It would invest all of it.

Sightline made this chart of how the revenue is slated for spending:

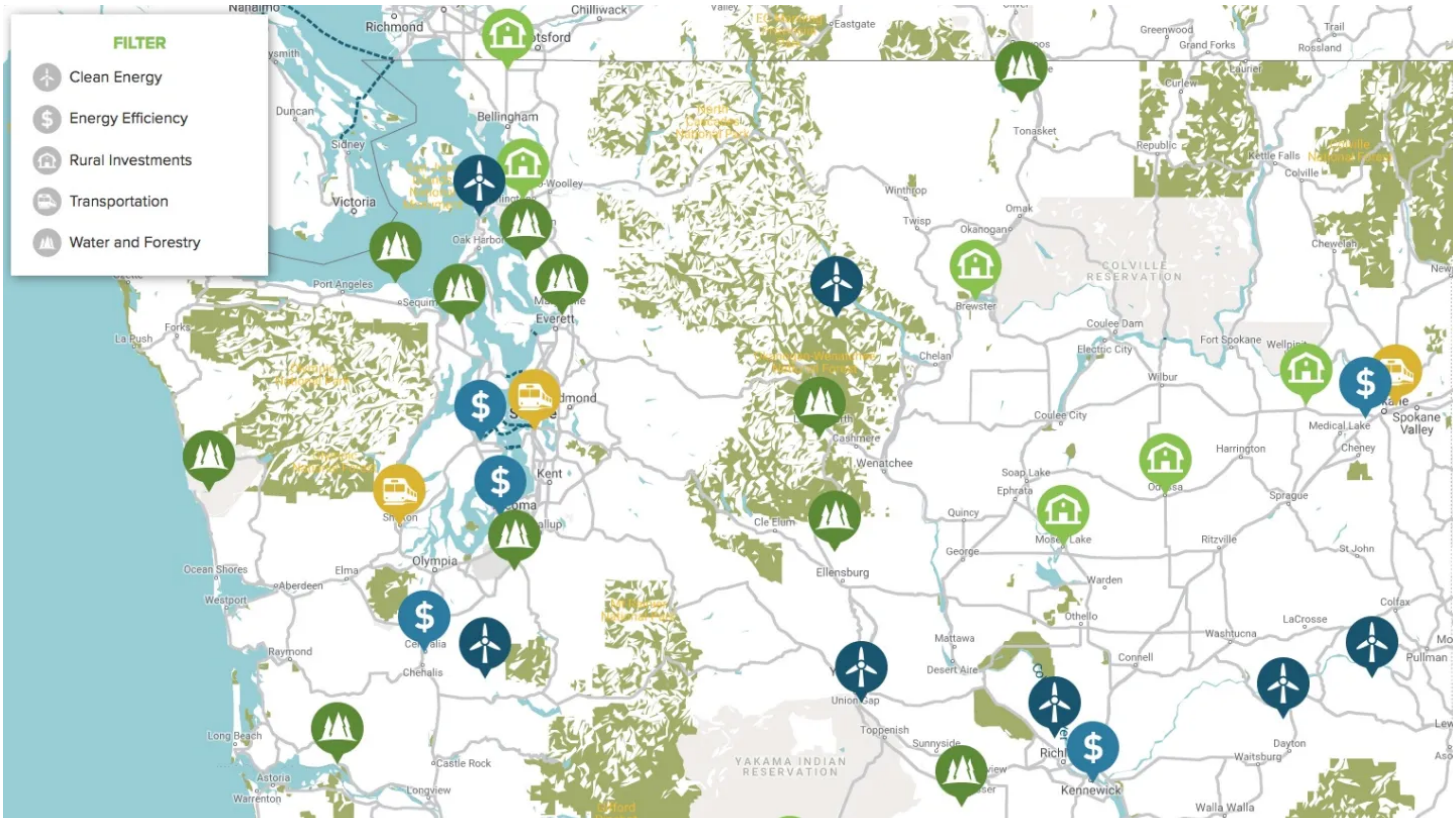
Sightline

Of the revenue:

- 70 percent would go to “**clean air and clean energy**.” 15 percent of that would go specifically to easing the burden on low-income energy consumers. $12 million would go to a fund that helps ease fossil fuel workers transition out of the industry.
- 25 percent would go to “**clean water and healthy forests**,” increasing the resilience of the state’s natural ecosystems to climate change.

- 5 percent would go to “**healthy communities**,” assisting (especially rural) communities impacted by climate change.

The result would be a rolling wave of investments across the state, to the tune of around a billion dollars a year, for decades to come. Here’s a Yes On 1631 map showing the types of local investments that could be funded by carbon revenue:



Yes On 1631

That’s a lot of tangible, visible benefits.

And all those in-state projects mean good jobs as well. Jeff Johnson, president of the Washington State Labor Council, serves on the governance board of the Alliance for Jobs and Clean Energy, which was where 1631 was written. He emphasized to me that “high-quality labor standards are built into the grant process for clean energy and healthy forests grants.”

Bipartisan consensus versus unite the left

This is the core of the dispute.

The political theory behind revenue-neutral carbon taxes, and 732, is that they have bipartisan appeal. They don't increase government revenue, they don't spend money on government-selected interest groups, and they have been endorsed by a number of conservative economists.

They ought to have bipartisan appeal. If Republicans were actually motivated by conservative economic principles, they would have bipartisan appeal. But in practice, they don't have bipartisan appeal.

What the coalition behind 732 discovered — what one earnest group of would-be bipartisan compromisers after another has discovered, in what is perhaps the most consistent theme of US politics for as long as I've been following it — is that Republicans are not, in fact, motivated by conservative economic principles. They are motivated primarily by tribal hostility toward the left and the demographic changes it represents. The institutional Republican Party would sooner saw its own arm off than give the left a "bipartisan" victory on climate change.

And so 732 lost, with only three endorsements from Republican office-holders. And so Donald Trump won.

So what's the other theory of change?

732 was not received favorably by groups on the left. From most environmental, labor, low-income, and community of color groups, reaction ranged from tepid to hostile.

The complaints were twofold. First, 732 was developed by a small group of economists and handed to the public like a done deal. "Support this." Left groups never felt sufficiently consulted or heard by 732 leaders.

Second, they felt the policy itself did not do enough for the communities most likely to be impacted by climate change and/or the transition to clean energy.

Yes On 1631

So, again, the 1631 campaign went all the way in the other direction, giving up on the chimera of bipartisan cooperation and instead seeking to knit together the fractious left. The coalition came together first (under the banner of the Alliance for Jobs and Clean Energy, which formed in 2014), to talk and begin understanding concerns across traditionally siloed groups, before any policy was developed.

In fact, it took over a year of work after the demise of 732 for a consensus policy to be hammered out; every constituent group had a say. The result is a remarkably broad array of endorsements, from all quarters of the left and from hundreds of pro-clean-energy businesses. (Endorsers include Carbon Washington, the group behind 732.)

“Frontline and communities of color came together with workers, environmentalists, public health leaders, and so many others to put our heads together to create what works best for our state,” says Aiko Schaefer of Front and Centered, an umbrella organization of low-income and community-of-color groups. “It is the embodiment of an inclusive democracy, and it stands in the face of the divisiveness fueled by President Trump.”

This a coalition-first, policy-second approach. And once you have a left coalition big and broad enough that it stands a chance of winning, you realize revenue neutrality is untenable.

Carbon focus versus climate justice

One of the ways 732 attempted to appeal across party lines was by focusing narrowly on carbon emissions. It taxed enough to reduce carbon, cut other taxes enough to offset the income impacts, and … that’s it. By design, it did no “social engineering,” as they say on the right. It did not try to solve other social problems like inequality or discrimination. It purposefully tried to remain independent of the broader left agenda.

Again, the 1631 coalition goes all the way in the other direction. In messaging and in policy, it is strongly focused on climate justice and equity.

The policy is modeled on California’s: a total of 35 percent of the carbon revenue, across all the three buckets of spending, must be deployed in a way that provides “direct and meaningful” benefits to communities in “pollution and health action areas,” to be defined by the Department of Health. (In California they are “disadvantaged communities.”) Within that 35 percent, 10 percent of the investments must fund programs within the geographical boundaries of those areas and another 10 percent must be in projects approved by Indian tribes.

So far, in California, that has meant about $1 billion of investments that benefit disadvantaged communities and $615 million in investments directly within them. In Washington's smaller economy, the numbers will be smaller, but still, it will mean substantial, ongoing investments in communities that have been ignored by state policymakers for a long, long time.

"The program has to make sufficient targeted investments to ensure that people with lower incomes don't have to spend more on energy because of the fee," says Kelley, citing "utility bill assistance, transit assistance, weatherization, and no- or low-cost community renewable energy projects like solar."

Washington Rep. Pramila Jayapal and Jane Fonda support 1631. Yes On 1631

Libertarian versus technocratic

Part of 732's (theoretical) appeal to conservatives was its libertarian spirit. It left no role for government discretion; the tax tweaks did 100 percent of the work.

Again, 1631 is going far in the other direction. It would create several new government agencies and give others new powers.

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In the governor's office, a new Public Oversight Board, made up of 15 governor-appointed voting members, would broadly oversee the effort. It would receive counsel from three new advisory panels: the Clean Air and Clean Energy Panel, the Clean Water and Healthy Forest Panel, and the Environmental and Economic Justice Panel. Each would have nine governor-appointed members, meant to reflect diverse stakeholders.

Every four years, the Department of Commerce would issue a new greenhouse gas reduction plan, as well as a report on progress. The departments of Ecology, Natural Resources, and Agriculture would be responsible for additional plans and regulations.

1631 amounts to a big bet that a government-led decarbonization effort can be popular, ambitious, and effective. When conservatives talk about "tax and spend liberalism," when they talk about "Big Government liberalism," this is what they're talking about.

Not that there's anything wrong with that. California, the undisputed climate leader in the US, has shown that technocracy can work. (In fact, that's arguably the principle lesson to be learned from California's carbon efforts.) The bulk of the state's carbon-reduction programs were designed by the California Air Resources Board (CARB), a group of governor-appointed experts.

The state's decarbonization and clean-energy successes — with a balanced program of carbon pricing (through a cap-and-trade system), regulations, and investments — are a great advertisement for the ability of competent governance, guided by expertise, to manage an energy transition.

California Gov. Jerry Brown chats with CARB Chair Mary Nichols and state AG Xavier Becerra. AP

Time will tell whether Washington's bureaucrats are similarly chosen on the basis of expertise and given relative freedom from legislative interference. I hope Washington leaders are talking to their counterparts in California.

A tax versus a fee

732 was a tax. 1631 is a fee. That's not just semantics — in Washington, it matters. A tax goes into general revenue (even if it is offset by tax cuts). All the revenue from a fee must be devoted to the purpose of the fee.

What that means, in practical terms, is that 732 was forced to put the tax up front in its ballot language. Many voters first encountered it as a plan to "impose a carbon emission tax on certain fossil fuels and fossil-fuel-generated electricity." Lots of people, having failed to receive proper instruction on why they should like this particular tax, fell back on generic anti-tax sentiment.

1631 is a fee — it is raising money *for* something, namely pollution reduction and remediation. That means the ballot language can lead with the purpose of the fee rather than the fee itself. Voters will encounter it on the ballot as a plan for "investing in clean air, clean energy, clean water, healthy forests, and healthy communities," which sounds like a bunch of good things. Only then will they hear that it is paid for "by imposing a fee on large emitters based on their pollution."

732 was "a tax (which will pay for cool things)." 1631 is "cool things (paid for by a fee)."

This is the approach to carbon pricing I've been advocating for years: lead with the good stuff the carbon price will pay for. People like good stuff! But they have trouble seeing a price on carbon as a good thing in and of itself (despite economists' exhortations). If they are being asked to pay, they want a clear sense of what they're paying for. "We're going to take the money and then give it back" doesn't intuitively make sense to them.

I'm not the only one who thinks the benefits-first approach has promise. The minute the initiative was filed, the Association of Washington Businesses, a conservative-leaning business group, filed a lawsuit challenging the language. (It lost.) It knows that a bunch of investments in good things is going to sound better to voters than a tax.

If "unite the left" doesn't work, it's not clear what comes next

And so that's how you put together a unite-the-left campaign: Offer investments that visibly create jobs, protect vulnerable communities, and improve air and water quality. Show them the money.

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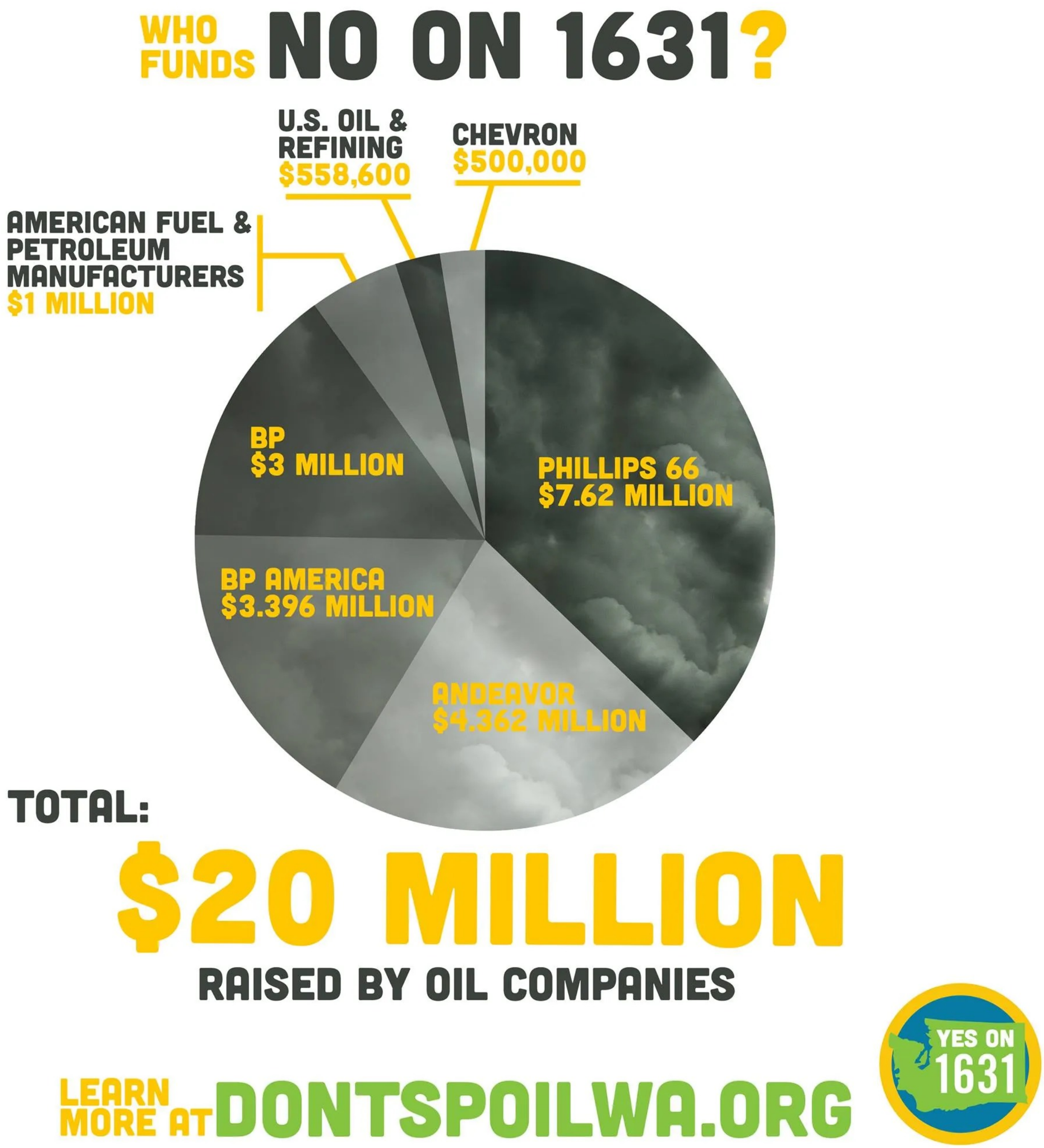
And if every group has a place at the table, a role in developing policy, and tangible benefits at stake, every group is far more likely to organize. Sure enough, it is the extraordinary organizing of front-line groups, gathered under the banner Front and Centered, that has carried 1631 this far.

“Our communities exist under the radar of traditional polling and outreach by traditional means,” Schaefer says. Because the 1631 campaign engaged frontline communities in good faith, now “the work is being done by leaders and groups who are trusted and have the linguistic and cultural competency to educate and engage and mobilize their communities.” (In the Nation, Sasha Abramsky has a great story on 1631 that emphasizes the climate-justice angle.)

This theory of change bets on the united left’s ability to muster the organizing and money necessary to counter an unfathomably deep-pocketed right, which won’t be easy, even in a blue state. The campaign against 1631 stands to receive almost unlimited funds from oil and gas groups and conservative PACs.

So far, the Yes campaign has raised a little over $5 million. The No campaign has raised $20 million, 99 percent of which has come from oil and gas. The oil and gas industry is spending $30 million just to crush a citizen initiative in Colorado, so there's no reason to think it can't keep increasing the total right up through November.



Yes on 1631

To point out the obvious: Just because the political theory of change behind 732 didn't pan out, that doesn't mean the political theory of change behind 1631 is destined for victory. It's early in the game and there's no public polling yet, so it's difficult to get a sense of 1631's chances, but initiatives are notoriously difficult and climate policy often seems cursed in Washington.

Still, "the oil industry wouldn't be spending $20 million if they weren't pretty worried about this passing," says Nick Abraham of Yes On 1631.

There are plenty of good-faith criticisms of the 1631 strategy. Wonks and economists will grumble about a big new revenue-positive tax and government spending programs, though an analysis by economist Robert Pollin and colleagues at the Political Economy Research Institute concluded that "clean energy investments in Washington State that would be sufficient to put the state on a true climate stabilization trajectory will generate about 40,000 jobs per year within the state."

The people behind 732 have grumbled that, even if the left can unite to drive through ambitious climate policy via ballot initiative — which would a first in the country — it wouldn't set much of a precedent for federal climate action. There's no direct-democracy equivalent at the federal level and overwhelming Democratic majorities seem a remote prospect.

But the fact that lots of big things can't be done without at least a little Republican cooperation does not mean that it is worth spending endless political capital chasing that cooperation.

Washington Gov. Jay Inslee campaigns for I-1631. Yes On 1631

There are other ways for Washington to influence national politics, beyond simply giving federal legislators ideas. Other things are worth political capital: showing that the left's disparate, siloed factions can work together to implement effective policy; demonstrating that the left stands for something, that it can get results when given power; leading other states by example.

“Trump can’t stop this state from building a clean-energy economy,” says Inslee. “He can’t stop us from doing paid family leave. He can’t stop us from doing net neutrality. This is a place where we control our own destiny.” What Trump can do, he says, is inspire Democrats. “He’s doing a fine job of showing the importance of voting.”

1631 isn’t necessarily the policy I’d cook up in my ideal policy lab. I’d like to see a higher fee that rises faster, fewer industries exempted (it will eventually cover about 80 percent of state emissions), and a big chunk of the revenue (say, 25 percent) set aside for either per-capita rebate checks and/or reductions in other regressive taxes, especially Washington’s odious sales tax. (Though, as Abraham reminded me, that would be an illegal use of a “fee” here in Washington.)

But that’s quibbling, and the time for armchair quarterbacking is over. The die is cast. If 1631 fails, it will be a serious blow: a blow to the credibility of state leaders who held out on 732 in favor of this strategy; a blow to climate policy in Washington, which already has so many slapstick failures it’s starting to look like a Buster Keaton movie; and a blow to the larger effort to create a West Coast coalition of states leading on climate change.

In an election season when the fate of the nation seems at stake, it's difficult to take anything else in, but when it comes to climate policy — not only in Washington, not only in the Northwest, but nationally — Tuesday's vote in Washington really matters.