

From: [Metcalf, Gilbert](#)
To: ["Cameron Smith"](#)
Subject: RE: NJ: Return of the Carbon Tax?
Date: Friday, May 04, 2012 2:17:00 PM

Whoops! I saw Doug's name below AEI and mentally transformed it to AAF. Sorry to cause you any distress.

Gilbert E. Metcalf
Deputy Assistant Secretary for Environment and Energy
U.S. Department of the Treasury
(202) 622-0173 (office)
(b) (6)
(202) 622-0037 (fax)
Email: gilbert.metcalf@treasury.gov

-----Original Message-----

From: Cameron Smith [[mailto:\(b\) \(6\)@americanactionforum.org](mailto:(b) (6)@americanactionforum.org)]
Sent: Friday, May 04, 2012 2:16 PM
To: Metcalf, Gilbert
Subject: Re: NJ: Return of the Carbon Tax?

So the yellow that you highlighted refers to AEI's submission to the Peterson Foundation last summer:
<http://www.aei.org/files/2011/05/25/Scholar-Peterson-Plan.pdf>

They received very little attention or push back on the fact that the tax was included, which I view as a good thing.

When we get our ducks better aligned we'll certainly touch base.

Thanks for sending this!

On May 4, 2012, at 2:11 PM, <Gilbert.Metcalf@treasury.gov> wrote:

> Here it is. Would love to talk to you about your thinking when you are ready.
> g
>
> Gilbert E. Metcalf
> Deputy Assistant Secretary for Environment and Energy
> U.S. Department of the Treasury
> (202) 622-0173 (office)
> (b) (6)
> (202) 622-0037 (fax)
> Email: gilbert.metcalf@treasury.gov
>
>
> <http://nationaljournal.com/member/magazine/carbon-and-the-tax-reform-conversation-20120503?print=true>
> Carbon Conversations: Return of the Carbon Tax?
>
> Some policymakers believe that corporate tax reform will provide an opportunity to reach a long-elusive deal on carbon emissions. Just don't call it a tax.
>
> by Coral Davenport
>
> Updated:
> May 3, 2012 | 2:00 p.m.

- >
- > What do Exxon Mobil, the nation's biggest oil company and a powerhouse of GOP influence, and Rep. Henry Waxman, the liberal California Democrat and a well-known foe of big oil, have in common? They both—along with a long list of influential economic thinkers from across the political spectrum—support the idea of putting a price on the carbon pollution that causes global warming.
- >
- > Climate-change policy, of course, has become an explosively divisive issue in Washington and on the campaign trail, and conventional wisdom has held that any efforts to reform climate or energy policy in the near future are DOA in Congress. But a new idea is percolating among energy, environmental, and economic experts: An overhaul of the U.S. tax code could also serve as a vehicle to enact a carbon tax and potentially transform the nation's energy economy. The opportunity could arise if Congress, as expected, takes up tax reform next year.
- >
- > The overall objective will be to boost U.S. global competitiveness and to simplify the code by lowering the 35 percent corporate tax rate and eliminating a host of breaks and loopholes. Lawmakers will also be grappling with the nation's staggering budget deficit and how to close it. That's where a potential deal on carbon comes in.
- >
- > A tax on carbon—which is produced by almost every aspect of the U.S. energy economy, from coal-fired power plants to gasoline-burning automobiles—would raise the cost of coal and oil, drive consumers to new forms of energy, and potentially increase the nation's tax revenues. Republicans and fossil-fuel interest groups have slammed the idea for years as an unacceptable drag on the economy. But the bet is that in a broader fight about billions of dollars, corporate America might be willing to accept a new tax on carbon pollution in exchange for lower rates somewhere else.
- >
- > Among academics and economists, the carbon tax has long had robust support. The idea of a driving up the cost of a commodity that you want to marginalize—think liquor, cigarettes, and, yes, gasoline—is a classic social lever. But among the political class, the logic grows pretzeled. Lawmakers and corporations still feel burned after a high-profile climate-change bill collapsed in the Senate in the summer of 2010 and that fall took with it the seats of many House Democrats who voted for the measure. This failure was a repeat of Congress's first big attempt to fight climate change in 1993, when dozens of Democrats put their political lives on the line to vote for Vice President Al Gore's "Btu tax," essentially a carbon tax by another name. That vote eased the Republicans' sweep of the House in 1994 and contributed to the rise of conservative antitax lobbyist Grover Norquist. The president of Americans for Tax Reform has since committed 238 of the 242 current House Republicans and 41 of the 47 GOP senators to sign a pledge that they won't support any new taxes.
- >
- > Despite that history, the carbon tax has some powerful corporate allies, chief among them Exxon Mobil. Two years ago, the energy giant let the White House know that although it didn't support the complicated cap-and-trade bill that ultimately passed the House, it did support a straight carbon tax. Exxon Mobil, a lobbying force and a major donor to Republican political campaigns, stands by that position today.
- >
- > There's a reason, of course, beyond good global citizenship: Exxon Mobil stands to profit handsomely from a carbon tax. The oil company is also the nation's largest developer of natural gas, a cheap source of electric power that produces only about half the carbon pollution of coal. A carbon tax would drive electric utilities to invest in new natural-gas plants, to the benefit of Exxon Mobil's bottom line. And the multinational corporation would still have its overseas markets in which to sell oil.
- >
- > The carbon tax has lots of other conservative friends, starting with Mitt Romney's economic adviser, Gregory Mankiw. An influential Harvard economics professor, Mankiw wrote a 2007 op-ed in The New York Times calling for a carbon tax as a solution to climate change. Conservative economist Arthur Laffer, a member of Ronald Reagan's Economic Policy Advisory Board who is sometimes known as the father of Reaganomics, is also a supporter. Even the right-leaning American Enterprise Institute has put forth a budget proposal that includes a carbon tax. Economist Douglas Holtz-Eakin, who advised Republican Sen. John McCain's presidential campaign and is now president of the conservative think tank American Action Forum, has endorsed various forms of carbon-pricing policy.
- >
- > "There's a silent consensus on this in the country among thinking economists," Robert McNally, who served as a senior energy adviser to President George W. Bush and an energy adviser to Mitt Romney's

2008 presidential campaign, told National Journal, "but it's considered political suicide."

>

> Well, there is that. Standing in the way of such a revolutionary step forward are people such as Norquist, who was quick to acknowledge to National Journal the growing discussion about reviving the carbon tax among conservative thinkers. "None of those guys have a vote in Congress, so that means diddly-squat," he said. "Proposing a further energy tax would get you squished in the next election.... This is an idea perfect for intellectuals, but it will be rejected by anyone who has to get elected.

>

> Still, carbon-tax advocates are nonetheless quietly marshaling forces for a new debate, even as they concede that such an initiative would be a heavy lift. Indeed, few want to talk about it publicly for fear of jeopardizing the proposal before it's even born. "It's a no-brainer for a lot of Republican intellectuals," said one supporter, who asked for anonymity. "But, politically, it's really touchy stuff."

>

>

From: [Jaffe, Judson](#)
To: [Metcalf, Gilbert](#)
Subject: RE: Save-the-Date: Carbon Tax Workshop at the Brookings Institution
Date: Tuesday, July 03, 2012 9:01:00 PM

Thanks.

-----Original Message-----

From: Metcalf, Gilbert
Sent: Tuesday, July 03, 2012 11:45 AM
To: Jaffe, Judson; Hall, Daniel
Subject: FW: Save-the-Date: Carbon Tax Workshop at the Brookings Institution

fyi

Gilbert E. Metcalf
Deputy Assistant Secretary for Environment and Energy U.S. Department of the Treasury
(202) 622-0173 (office)
[REDACTED] b6
(202) 622-0037 (fax)
Email: gilbert.metcalf@treasury.gov

-----Original Message-----

From: Danny Cohen (b) (6) [REDACTED]@brookings.edu]
Sent: Tuesday, July 03, 2012 11:18 AM
Subject: Save-the-Date: Carbon Tax Workshop at the Brookings Institution

Dear Colleague:

You are cordially invited to attend the Brookings Institution's "Carbon Tax Workshop" on Friday, July 27th, from 9:30 a.m. to noon. The event will be located in the Stein Room of the Brookings Institution, 1775 Massachusetts Avenue NW.

The discussion will include these presentations:

Aparna Mathur will present her new results on the distributional effects of a carbon tax and carbon tax swaps. Her paper uses data from the Input-Output tables to calculate the effect of a \$15 carbon tax on industry and consumer goods prices. These price increases are then passed through to consumers using consumption expenditure data from the Consumer Expenditure Survey. This methodology is applied to study incidence under a carbon tax-corporate tax swap where a part of the carbon tax revenues are used to offset a reduction in the corporate tax. Results suggest that such a swap could offset some of the regressivity associated with a carbon tax.

Dick Morgenstern, Jared Carbone, and/or Rob Williams will present work with their new general equilibrium model.

Pete Wilcoxon will present a recent study with Adele Morris and Warwick McKibbin: "The Potential Role of a Carbon Tax in U.S. Fiscal Reform." The paper examines fiscal reform options in the United States with an intertemporal computable general equilibrium model of the world economy called G-Cubed. Six policy scenarios explore two overarching issues: (1) the effects of a carbon tax under alternative assumptions about the use of the resulting revenue, and (2) the effects of alternative measures that could be used to reduce the budget deficit.

A detailed agenda will follow. Please RSVP to Danny Cohen at (b) (6) @brookings.edu> or call (b) (6) Mr. Cohen is out-of-office July 5th and 6th but will receive rsvps after those dates.

We hope to see you there.

Sincerely,

Adele Morris
Fellow and Policy Director, Climate and Energy Economics Project The Brookings Institution

From: [Metcalf, Gilbert](#)
To: ["Danny Cohen"](#)
Subject: RE: Save-the-Date: Carbon Tax Workshop at the Brookings Institution
Date: Monday, July 09, 2012 8:44:00 AM

I will plan to attend.

Gilbert E. Metcalf
Deputy Assistant Secretary for Environment and Energy
U.S. Department of the Treasury
(202) 622-0173 (office)
(b) (6)
(202) 622-0037 (fax)
Email: gilbert.metcalf@treasury.gov

-----Original Message-----

From: Danny Cohen [[mailto:\(b\) \(6\)@brookings.edu](mailto:(b) (6)@brookings.edu)]
Sent: Tuesday, July 03, 2012 11:18 AM
Subject: Save-the-Date: Carbon Tax Workshop at the Brookings Institution

Dear Colleague:

You are cordially invited to attend the Brookings Institution's "Carbon Tax Workshop" on Friday, July 27th, from 9:30 a.m. to noon. The event will be located in the Stein Room of the Brookings Institution, 1775 Massachusetts Avenue NW.

The discussion will include these presentations:

Aparna Mathur will present her new results on the distributional effects of a carbon tax and carbon tax swaps. Her paper uses data from the Input-Output tables to calculate the effect of a \$15 carbon tax on industry and consumer goods prices. These price increases are then passed through to consumers using consumption expenditure data from the Consumer Expenditure Survey. This methodology is applied to study incidence under a carbon tax-corporate tax swap where a part of the carbon tax revenues are used to offset a reduction in the corporate tax. Results suggest that such a swap could offset some of the regressivity associated with a carbon tax.

Dick Morgenstern, Jared Carbone, and/or Rob Williams will present work with their new general equilibrium model.

Pete Wilcoxon will present a recent study with Adele Morris and Warwick McKibbin: "The Potential Role of a Carbon Tax in U.S. Fiscal Reform." The paper examines fiscal reform options in the United States with an intertemporal computable general equilibrium model of the world economy called G-Cubed. Six policy scenarios explore two overarching issues: (1) the effects of a carbon tax under alternative assumptions about the use of the resulting revenue, and (2) the effects of alternative measures that could be used to reduce the budget deficit.

A detailed agenda will follow. Please RSVP to Danny Cohen at [mailto:\(b\) \(6\)@brookings.edu](mailto:(b) (6)@brookings.edu) or call (b) (6). Mr. Cohen is out-of-office July 5th and 6th but will receive rsmps after those dates.

We hope to see you there.

Sincerely,

Adele Morris
Fellow and Policy Director, Climate and Energy Economics Project
The Brookings Institution

From: [Metcalf, Gilbert](#)
To: [Climate Team](#)
Subject: FW: NJ: Republican Thinkers Launch New Climate-Change Initiative
Date: Tuesday, July 10, 2012 10:48:01 AM

Interesting article

Gilbert E. Metcalf

Deputy Assistant Secretary for Environment and Energy

U.S. Department of the Treasury

(202) 622-0173 (office)

(b) (6)

(202) 622-0037 (fax)

Email: gilbert.metcalf@treasury.gov

http://mobile.nationaljournal.com/member/energy/republican-thinkers-launch-new-climate-change-initiative-20120710?mrefid=site_search&page=1

Republican Thinkers Launch New Climate-Change Initiative

By Coral Davenport | Tuesday, July 10, 2012 | 6:07 a.m. Photo: AP FILE PHOTO

A small cadre of big-name Republican thinkers, disturbed by their party's stance on climate change, are engaging in a nationwide campaign, launching on Tuesday, to persuade the GOP to embrace "conservative solutions" to global warming.

Over the past two years, tea party groups and fossil-fuel-funded super PACs have driven the GOP far to the right on global warming, as more Republicans question climate science or recant their former support of climate policy. That's led to a rift between moderates and hard-line conservatives -- emblematic of a larger divide in the party -- as some moderate Republicans fear that rejecting climate change could lead their party to be branded as antisience.

The Energy and Enterprise Initiative, based at George Mason University, aims to unite moderate Republicans concerned about climate change with hard-line fiscal conservatives who want to cut taxes and government spending. It's led by former Rep. Bob Inglis, R-S.C., who has been on the outs with the right wing of his party since he lost his 2010 primary as a direct result of his support for climate-change policy.

On its own, Inglis's voice might not be enough to change the Republican conversation about climate change. But he has the support of Gregory Mankiw, economic advisor to the Mitt Romney campaign and the former chief economist of President George W. Bush's Council of Economic Advisers; Douglas Holtz-Eakin, president of the influential conservative think tank American Action Forum, former head of Bush's Council on Economic Advisers, and economic adviser to John McCain's 2008 presidential campaign; Art Laffer, the prominent conservative economist and former senior adviser to President Reagan; and George Shultz, Reagan's secretary of State, along with a slew of other conservative economic thinkers.

Mankiw, Romney's advisor, has long been a leading advocate of this policy -- although the Romney campaign declined to answer whether Romney himself would support it. Though Mankiw isn't expected to give speeches on behalf of the new campaign, given his involvement with Romney, Inglis described Mankiw as an "ally." And in an e-mail to National Journal, Mankiw wrote, "I am supportive of this effort."

Laffer, however, has already given one speech, at Vanderbilt University, supporting the policy. Last year, Holtz-Eakin held living-room meetings about climate change with New Hampshire voters.

The campaign will push one policy: a new tax on carbon pollution or gasoline consumption, paired with a cut in the income or payroll tax, creating a revenue-neutral, market-driven solution to an environmental problem while cutting taxes that conservatives dislike.

The idea is essentially to create a tax that will discourage fossil-fuel use and pollution while eliminating a tax in order to incentivize work and income. It's an old idea that environmentalist and former Vice President Al Gore also has supported, but one that conservative economists say could be reborn in a next year's effort to pass a sweeping tax-reform package.

The campaign will send conservative thinkers across the country to speak about the policy to conservative audiences, such as gatherings of college Republicans, members of the Federalist Society, or the annual Conservative Political Action Conference.

"Conservatives have the answer to energy and climate—it's free enterprise and fixing market distortions," Inglis told National Journal. "Entrepreneurs and investors will deliver the fuels of the future. It will be faster and more efficient than government. It's just a matter of conservatives stepping forward and engaging rather than retreating into denial about science, which is a strange place for us to be."

The initiative will be a tough sell in today's hotly partisan political climate, where any proposal of a new tax—let alone an energy tax—is explosive. But the moderates see an opening for the argument in a coming effort to overhaul the nation's tax code, a debate in which conservatives will push to cut income, payroll, and corporate taxes.

And in addition to the big-name GOP economists, the proposal may also find backing in other, surprising quarters: ExxonMobil, the nation's biggest oil company, has backed a carbon tax. The campaign also will work with insurance companies—long-standing allies of the Republican Party, but also a group which must take into account the projected impacts of climate change, such as property damage caused by rising sea levels and increased flooding.

Michael McKenna, a Republican energy lobbyist and strategist who works closely with House GOP leadership on energy policy, predicted that the push is likely to gain traction on the Hill.

"I think it has the potential to be important, mostly because people who would oppose them are kind of asleep at the switch," McKenna wrote in an e-mail. "It is also clearly an attempt to prepare for whatever sort of conversation we are going to have about tax reform in the next however many years."

Still, McKenna said Republicans are likely to encounter plenty of problems in the details of the proposal.

"It suffers from a real lack of specifics," he wrote. "If you work the math, it looks like this: We use about 140 billion gallons of gasoline each year, and the payroll tax brings in about 750 billion each year. I realize that there are other things that would get taxed in such a regime, but if you simplify it, it looks like it would take a \$5 a gallon tax on gasoline to clear the same amount of money. The guys who favor this never talk specifics, and now I know why—the specifics are incredibly unappetizing."

National Journal attempted last year to survey congressional Republicans on their views on climate change. Sixty-five GOP lawmakers—40 House members and 25 senators across the ideological spectrum—agreed to respond.

Twenty of the 65 Republicans said they think climate change is causing the Earth to warm; 13 said that climate change isn't causing the Earth to warm; and 21 said they didn't know, the science isn't conclusive, or they didn't want to answer the question definitively. Nineteen said that human activities

do contribute to climate change—but of those 19, only five said they believed a “significant amount” of climate change was due to human activity, while 14 said they believed human activity contributes “very little” to climate change. Five said they believed that climate change was not at all attributable to human activity.

The biggest obstacle will likely be opposition from influential conservative lobbyist Grover Norquist, president of the group Americans for Tax Reform, who has signed 539 Republican lawmakers and candidates onto a pledge promising never to raise taxes.

“Even a revenue neutral swap would be an extremely bad move for taxpayers,” Norquist told National Journal. “It would create a new tax that would certainly grow over time—name a tax that didn’t ... and the old tax that was pruned back, would also grow again.”

He called the initiative “a very bad idea for taxpayers and is clearly being pushed by advocates of ever-larger government ... with a possible assist from ‘conservatives’ who have no sense of history.”

The true measure of the campaign’s success will be whether the issue is championed by key Republican lawmakers, who will have to agree to push for it as part of a tax reform package as well as stand by it on the campaign trail.

One key Republican with sterling conservative fiscal chops is already doing just that—with backing from an influential tea party group. Rep. Jeff Flake, R-Ariz., the current favorite to become Arizona’s next senator next year, supports the idea. In 2009, he co-authored a bill with Inglis to create a carbon tax paired with a cut in the payroll tax. And the bill won backing from the head of the Arizona chapter of Americans for Prosperity, the influential tea party group with ties to the oil company Koch Industries.

Another possible backer is Sen. Lisa Murkowski of Alaska, the senior Republican on the Senate Energy and Natural Resources Committee.

Environmentalists and the White House are watching the effort the effort closely. After President Obama’s effort to move a cap-and-trade climate change bill through Congress died—and contributed to the losses of many incumbent Democrats in Congress in 2010—Democrat-led efforts to push climate policy are likely to face a wall of opposition in the coming years. Strategists say an effort led by Republicans—a “Nixon goes to China”-type moment—is likely the only chance for moving climate policy before 2016.

“This is an important step. If the U.S. is ever going to get a carbon tax, it has to have a conservative address,” said Joshua Freed, director of the clean-energy program at Third Way, a Democratic think tank. “For this to morph from an aspiration into a policy contender, we need the heft of Republicans who hold office and are weighing the impact of reelection to settle in.”

From: [Metcalf, Gilbert](#)
To: [Jaffe, Judson](#)
Subject: RE: NJ: Republican Thinkers Launch New Climate-Change Initiative
Date: Thursday, July 12, 2012 1:48:00 PM

Not now.

Gilbert E. Metcalf
Deputy Assistant Secretary for Environment and Energy
U.S. Department of the Treasury
(202) 622-0173 (office)
(b) (6)
(202) 622-0037 (fax)
Email: gilbert.metcalf@treasury.gov

From: Jaffe, Judson
Sent: Thursday, July 12, 2012 1:40 PM
To: Metcalf, Gilbert
Subject: FW: NJ: Republican Thinkers Launch New Climate-Change Initiative

(b) (5)

Judson Jaffe
Office of Environment and Energy
U.S. Department of the Treasury
Phone: 202.622.7751
Fax: 202.622.6728
Email: judson.jaffe@treasury.gov

From: Metcalf, Gilbert
Sent: Tuesday, July 10, 2012 10:48 AM
To: Climate Team
Subject: FW: NJ: Republican Thinkers Launch New Climate-Change Initiative

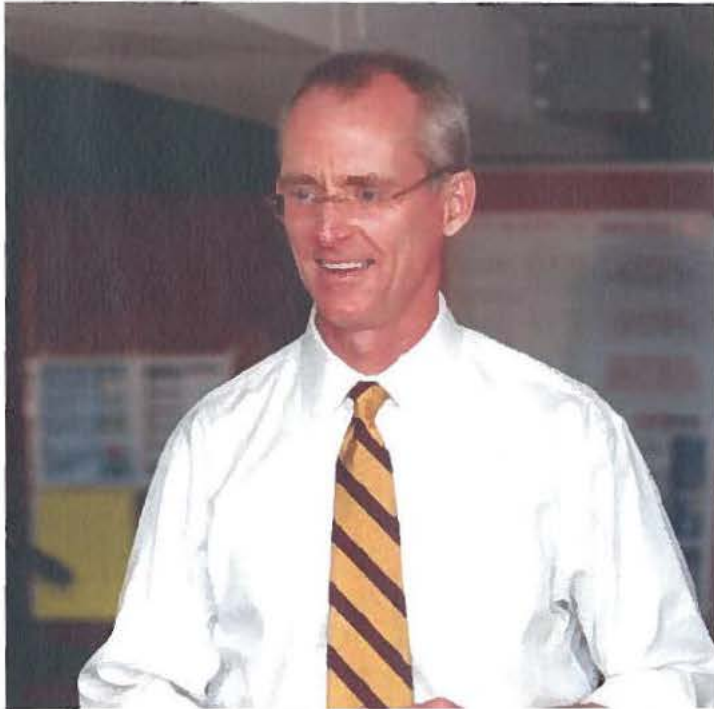
Interesting article

Gilbert E. Metcalf
Deputy Assistant Secretary for Environment and Energy
U.S. Department of the Treasury
(202) 622-0173 (office)
(b) (6)
(202) 622-0037 (fax)
Email: gilbert.metcalf@treasury.gov

<http://mobile.nationaljournal.com/member/energy/republican-thinkers-launch-new-climate->

Republican Thinkers Launch New Climate-Change Initiative

By Coral Davenport | Tuesday, July 10, 2012 | 6:07 a.m.



A small cadre of big-name Republican thinkers, disturbed by their party's stance on climate change, are engaging in a nationwide campaign, launching on Tuesday, to persuade the GOP to embrace "conservative solutions" to global warming.

Over the past two years, tea party groups and fossil-fuel-funded super PACs have driven the GOP far to the right on global warming, as more Republicans [question climate science or recant their former support of climate policy](#). That's led to a rift between moderates and hard-line conservatives -- emblematic of a larger divide in the party -- as some moderate Republicans fear that rejecting climate change could lead their party to be branded as antiscience.

The Energy and Enterprise Initiative, based at George Mason University, aims to unite moderate Republicans concerned about climate change with hard-line fiscal conservatives who want to cut taxes and government spending. It's led by former Rep. Bob Inglis, R-S.C., who has been on the outs with the right wing of his party since he lost his 2010 primary as a direct result of his support for climate-change policy.

On its own, Inglis's voice might not be enough to change the Republican conversation about climate change. But he has the support of Gregory Mankiw, economic advisor to the Mitt Romney campaign and the former chief economist of President George W. Bush's Council of Economic Advisers; Douglas Holtz-Eakin, president of the influential conservative think tank American Action Forum, former head of Bush's Council on Economic Advisers, and economic adviser to **John McCain's** 2008 presidential campaign; Art Laffer, the prominent conservative economist and former senior adviser to President Reagan; and George Shultz, Reagan's secretary of State, along with a slew of other conservative economic thinkers.

Mankiw, Romney's advisor, has long been a leading advocate of this policy -- although the Romney campaign declined to answer whether Romney himself would support it. Though Mankiw isn't expected to give speeches on behalf of the new campaign, given his involvement with Romney, Inglis described Mankiw as an "ally." And in an e-mail to *National Journal*, Mankiw wrote, "I am supportive of this effort."

Laffer, however, has already given one speech, at Vanderbilt University, supporting the policy. Last year, Holtz-Eakin held living-room meetings about climate change with New Hampshire voters.

The campaign will push one policy: a new tax on carbon pollution or gasoline consumption, paired with a cut in the income or payroll tax, creating a revenue-neutral, market-driven solution to an environmental problem while cutting taxes that conservatives dislike.

The idea is essentially to create a tax that will discourage fossil-fuel use and pollution while eliminating a tax in order to incentivize work and income. It's an old idea that environmentalist and former Vice President Al Gore also has supported, but one that conservative economists say could be reborn in a next year's effort to pass a sweeping tax-reform package. The campaign will send conservative thinkers across the country to speak about the policy to conservative audiences, such as gatherings of college Republicans, members of the Federalist Society, or the annual Conservative Political Action Conference.

"Conservatives have the answer to energy and climate—it's free enterprise and fixing market distortions," Inglis told *National Journal*. "Entrepreneurs and investors will deliver the fuels of the future. It will be faster and more

efficient than government. It's just a matter of conservatives stepping forward and engaging rather than retreating into denial about science, which is a strange place for us to be."

The initiative will be a tough sell in today's hotly partisan political climate, where any proposal of a new tax—let alone an energy tax—is explosive. But the moderates see an opening for the argument in a coming effort to overhaul the nation's tax code, a debate in which conservatives will push to cut income, payroll, and corporate taxes.

And in addition to the big-name GOP economists, the proposal may also find backing in other, surprising quarters: ExxonMobil, the nation's biggest oil company, has backed a carbon tax. The campaign also will work with insurance companies—long-standing allies of the Republican Party, but also a group which must take into account the projected impacts of climate change, such as property damage caused by rising sea levels and increased flooding.

Michael McKenna, a Republican energy lobbyist and strategist who works closely with House GOP leadership on energy policy, predicted that the push is likely to gain traction on the Hill.

"I think it has the potential to be important, mostly because people who would oppose them are kind of asleep at the switch," McKenna wrote in an e-mail. "It is also clearly an attempt to prepare for whatever sort of conversation we are going to have about tax reform in the next however many years."

Still, McKenna said Republicans are likely to encounter plenty of problems in the details of the proposal.

"It suffers from a real lack of specifics," he wrote. "If you work the math, it looks like this: We use about 140 billion gallons of gasoline each year, and the payroll tax brings in about 750 billion each year. I realize that there are other things that would get taxed in such a regime, but if you simplify it, it looks like it would take a \$5 a gallon tax on gasoline to clear the same amount of money. The guys who favor this never talk specifics, and now I know why—the specifics are incredibly unappetizing."

National Journal attempted last year to survey congressional Republicans on their views on climate change. Sixty-five GOP lawmakers—40 House members and 25 senators across the ideological spectrum—agreed to respond.

Twenty of the 65 Republicans said they think climate change is causing the Earth to warm; 13 said that climate change isn't causing the Earth to warm; and 21 said they didn't know, the science isn't conclusive, or they didn't want to answer the question definitively. Nineteen said that human activities do contribute to climate change—but of those 19, only five said they believed a "significant amount" of climate change was due to human activity, while 14 said they believed human activity contributes "very little" to climate change. Five said they believed that climate change was not at all attributable to human activity.

The biggest obstacle will likely be opposition from influential conservative lobbyist Grover Norquist, president of the group Americans for Tax Reform, who has signed 539 Republican lawmakers and candidates onto a pledge promising never to raise taxes.

"Even a revenue neutral swap would be an extremely bad move for taxpayers," Norquist told *National Journal*. "It would create a new tax that would certainly grow over time—name a tax that didn't ... and the old tax that was pruned back, would also grow again."

He called the initiative "a very bad idea for taxpayers and is clearly being pushed by advocates of ever-larger government ... with a possible assist from 'conservatives' who have no sense of history."

The true measure of the campaign's success will be whether the issue is championed by key Republican lawmakers, who will have to agree to push for it as part of a tax reform package as well as stand by it on the campaign trail.

One key Republican with sterling conservative fiscal chops is already doing just that—with backing from an influential tea party group. Rep. **Jeff Flake**, R-Ariz., the current favorite to become Arizona's next senator next year, supports the idea. In 2009, he co-authored a bill with Inglis to create a carbon tax paired with a cut in the payroll tax. And the bill won backing from the head of the Arizona chapter of Americans for Prosperity, the influential tea party group with ties to the oil company Koch Industries. Another possible backer is Sen. **Lisa Murkowski** of Alaska, the senior Republican on the Senate Energy and Natural Resources Committee. Environmentalists and the White House are watching the effort the effort closely. After President Obama's effort to move a cap-and-trade climate change bill through Congress died—and contributed to the losses of many

incumbent Democrats in Congress in 2010—Democrat-led efforts to push climate policy are likely to face a wall of opposition in the coming years. Strategists say an effort led by Republicans—a “Nixon goes to China”-type moment—is likely the only chance for moving climate policy before 2016. “This is an important step. If the U.S. is ever going to get a carbon tax, it has to have a conservative address,” said Joshua Freed, director of the clean-energy program at Third Way, a Democratic think tank. “For this to morph from an aspiration into a policy contender, we need the heft of Republicans who hold office and are weighing the impact of reelection to settle in.”