

January 16, 2024

Dear Members of Congress:

As the Senate Environment and Public Works Committee is reportedly going to mark-up the PROVE IT Act (S. 1863) this week, the undersigned organizations want to express strong opposition to carbon tariffs and the PROVE IT Act. This legislation is a gateway for a carbon tax on imported goods and a domestic carbon tax.

It is shocking that legislators would contemplate advancing policy that would increase taxes, drive up prices for American families, harm workers and those on fixed incomes, and punish energy use.

Yet this is precisely what a carbon tariff does. A carbon tariff is two taxes in one. First, a carbon tariff is a tax on imported goods, borne by American consumers, workers, and businesses. Once the structure for imposing a carbon tariff has been established, it can then be used to impose a domestic carbon tax.

To think that the government would develop the administrative infrastructure to impose a domestic carbon tax without following through is naïve, at best. If the United States were to impose a tax on imports based on their carbon intensity, then there would be an expectation that domestic goods would be subjected to a comparable tax-based scheme. In fact, a domestic carbon tax might be required to meet international trade obligations.

The PROVE IT Act is not a benign government measurement scheme that will exist for knowledge purposes. It would create a detailed carbon-emissions measuring system for *domestic* and foreign goods, putting into place exactly what is needed to implement a carbon tariff *and* a domestic carbon tax.

Some proponents assert that the PROVE IT Act will help respond to the European Union's (EU) carbon tax, otherwise identified as a carbon border adjustment mechanism. The United States should push back against the EU's extreme green policies and not, under any circumstances, accept their disastrous environmental and energy policies.

The EU's carbon border adjustment mechanism and carbon tariffs are a way to impose extraterritorial regulations. Recently, we have seen these types of regulations domestically, as American farmers know all too well. Some states have imposed barriers to selling goods, such as eggs and pork, based not on the nature of the goods but due to moral and ethical preferences on how food should be produced.

Just imagine foreign countries trying to impose their moral preferences on Americans by using tariffs as leverage over how the U.S. uses energy or how American farmers produce food. Carbon tariffs and the PROVE IT Act will help establish this precedent.

Maybe even worse than the imposition of all these new taxes is the purpose of the taxes. They are taxes to punish energy use. Since more than 80 percent of the world's energy comes from coal, natural gas, and oil, which produce carbon dioxide emissions, a carbon tariff is a tax on the energy that makes modern life possible.

It would make medical care, housing, communications, food, and transportation less affordable, especially for people who already struggle to pay their bills. It would have a disproportionate impact on the poor and hurt those on fixed incomes, the elderly, and local institutions like hospitals, libraries, and schools.

The PROVE IT Act and carbon tariffs are not just bad policy, but bad politics. After all, supporting new taxes and opposing affordable and reliable energy is a toxic concoction.

A new survey sponsored by the American Energy Alliance and the Committee to Unleash Prosperity found that most Americans opposed a carbon tariff on imported goods, with 63 percent of Republicans opposed.

This opposition to paying carbon or energy taxes becomes even clearer when respondents were asked what they are willing to pay each year to address climate change. The median response was just \$10, and 35 percent (including 17 percent of Democrats) said they are unwilling to pay anything. American Energy Alliance president Thomas Pyle captured the results very well:

The results reconfirm what we already knew: voters are not willing to pay any tax associated with carbon dioxide or energy – including a carbon dioxide or energy tax on imported goods. Those who believe in limited government and free energy markets continue to be allied with the vast majority of voters concerning the destructive and pointless nature of carbon dioxide taxes and on the fundamentals of the climate change issue.

As the markup of the PROVE IT Act approaches, there may be disingenuous gimmicks such as amending the bill to say it may not be used to impose a carbon tariff. Such a provision does not change the fact that the foundation would have been created to impose a carbon tariff and domestic carbon tax. Any new legislation could easily get rid of such a prohibition, and that is exactly what would happen.

The PROVE IT Act and other carbon tariffs efforts show a complete disregard for what matters to Americans. They want affordable, reliable energy to power their homes and lives, not government meddling that drives up their household bills. They don't want federal schemes that treat energy use as a sin.

We strongly urge legislators to oppose the PROVE IT Act and any other legislation dealing with carbon tariffs.

Sincerely,

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