Carbon Revenue Project, Fall 2016
a Research Program at the Center on Global Energy Policy
at Columbia University’s School of International and Public Affairs

February, 2016

Research Paper on the Distributional Effects of Carbon Pricing

The Center on Global Energy Policy

The Center on Global Energy Policy is part of the School of International and Public Affairs at Columbia University. Its mission is to improve the quality of energy policy and energy dialogue through objective, balanced, and rigorous analysis.

In order to foster an informed and moderate dialogue and provide independent analysis, the Center:

• Produces policy-relevant research on economic and geopolitical issues relevant to the global energy market;
• Is a leading venue for high-profile public discussions of current energy issues;
• Convenes senior-level leaders from government, the private sector, and NGOs for private, off-the-record conservations; and
• Trains the next generation of energy thought leaders, executives, and policy officials.

Project Description

Economists have long considered a carbon tax to be the preferred strategy for addressing global climate change. Taxing carbon dioxide (CO₂) and other greenhouse gas (GHG) emissions can help avoid future economic costs from a changing climate while raising revenue that can be used for economically beneficial purposes. While there is no consensus about the best way to use the revenue, among economists a carbon tax has attracted bipartisan support.

While the merits of a carbon tax are clear, the politics are challenging. Raising taxes and raising energy prices are two things Americans generally frown upon, and a carbon tax does both. Recent developments, however, may create a window of opportunity for serious consideration of a carbon tax in the years ahead: the sharp decline in oil prices since mid-2014, a growing desire for corporate income tax reform within the business community and among Congressional Republicans, a regulatory agenda for reducing GHG emissions that is growing in size and scope, and the recent call from six European oil and gas majors for a carbon tax. For a carbon tax to be seriously considered, however, policymakers and stakeholders will need to better understand the design options available and their respective environmental, energy market, and economic impacts, including how a carbon tax would interact with existing energy, environmental and tax policy at the state and national level. The Center for Global Energy Policy (CGEP) proposes a major research initiative to answer such questions in a market and policy-relevant manner.

The Center on Global Energy Policy is initiating a new project examining the establishment of a carbon tax. As part of that project, the Center is conducting the following studies and publishing papers, each of which will examine important issues related to establishment of a carbon tax.
Request for Proposal, Scope of Work, and Award Process

The Center wishes to engage a consultant to perform the analysis for and author a paper described below:

- **Economic Implications and Distributional Effects:** A carbon tax will have a significant impact on the composition of energy supply and demand in the US in ways that shape both the economic impact and distributional effects of the tax, as well as the amount of revenue it yields. Policymakers and stakeholders will want to understand the impact of a carbon tax on energy prices and the distributional effects of those price increases by income level, state and sector.
  - **Distributional Effects:** The authors of the this paper will model the distributional effects of a carbon tax using a detailed tax policy model with detailed demographic, sectoral and geographic resolution, integrating the output of the NEMS model of the energy sector into a microsimulation model.

The consultant will prepare simulations of the distributional effects of various carbon tax scenarios, combined with alternative ways of recycling the revenues from the tax and estimate how they affect the distribution of income and tax burdens by income group in future years. The analysis will take as a starting point the results of model simulations performed by the consultant undertaking the NEMS modeling of the energy sector to estimate how these changes in energy prices affect households in different income groups.

The analysis will distribute the burden of a carbon tax across taxpayers and the economy in several ways as agreed to by the Center and the consultant. The carbon tax should be modeled as raising the prices of both carbon-intensive products (gasoline, household electricity etc.) and, indirectly, all goods and services through increases in the prices of fossil fuel inputs in production. The consultant will display the detailed effects on the distribution of tax burdens and after-tax burdens by income group, with additional detail as agreed to by the Center and the consultant. The consultant shall develop charts and graphics that compare in a transparent way how different income groups fare under alternative revenue recycling scenarios and alternative baselines for inclusion in its paper.

The consultant will author a paper based on the analysis. The consultant also will work closely with the Center and its others partners so that its analysis is based on, and consistent with, the NEMS energy sector modeling performed by another consultant as a part of the project. The consultant also will participate briefings and meetings after publication of the paper to share the results of the analysis and assist in the preparation of materials for those meetings.

Proposals are due March 4. The target hire date is March 18, 2016.

Final deliverable will be a complete paper based on the output of modeling analysis to be published as part of the Center’s project, and agreed upon participation in briefings and meetings after publication of the paper to share the results of the analysis. The Center will retain final editorial control over the paper.
Proposals should be submitted to:

Jesse McCormick
Associate Director
Center on Global Energy Policy
Columbia University
(212) 851-0188
jmccormick@sipa.columbia.edu

Consultants are encouraged to ask questions or set up a meeting to discuss project details any time before the proposal due date.

All responses to this RFP are due no later than March 4, 2016

Proposals must include:

- Company background information / brochure
- Bios of key team personnel
- Overview of the company’s capabilities and core competencies.
- Sample list of clients for engagements of a similar scope
- Approach to the project with sufficient detail on proposed tasks, procedures and timelines for deliverables.
- Detailed budget

Selection Criteria:
The Center will consider the following in selecting its partners:

- Consultant’s experience in energy and environmental policy;
- Consultant’s ability to undertake the required modeling and to work with other Center partners who will undertake other related modeling projects as part of the overall project;
- Consultant’s ability to present results of analysis in a draft paper to be published by the Center;
- Consultant’s staff on the project, work samples, references and budget estimate.

CONTACT
Jesse McCormick, Associate Director, Center on Global Energy Policy
(212) 851-0188
jmccormick@sipa.columbia.edu

Ron Minsk
240-535-9799
rminsk@earthlink.net