

# Adverse Economic Impacts of a Carbon Tax in Rhode Island

If a carbon tax is levied, residents of Rhode Island will pay more for natural gas, electricity, gasoline and other energy commodities, according to a study by NERA Economic Consulting and the National Association of Manufacturers (NAM).<sup>\*</sup> The increased costs of these critical fuels will impact every person and business in Rhode Island. This is bad news for manufacturers, which consume one-third of our nation's energy supply, and for families struggling to get by as the national unemployment rate hovers just under **8 percent**. To make matters worse, many Rhode Island companies that compete internationally will be placed at a disadvantage as their foreign competitors operate without similar costs.



## Natural Gas

The cost of using natural gas would increase by **more than 40 percent** in 2013, the first year of the carbon tax study, adding to household energy bills and increasing operation costs for many Rhode Island businesses.



## Gasoline Prices

Prices at the pump would jump by **more than 20 cents** a gallon in 2013.



## Household Utilities

Households in Rhode Island would see a significant increase in their electricity rates, with an average increase of **22 percent** in 2013.



## Employment Loss

This tax would deal a blow to employment in Rhode Island, with a loss of worker income equivalent to **2,000 to 5,000** jobs in 2013 and **5,000** by 2023.



## Economic Sectors Hardest Hit in 2023

The hardest hit economic sectors in Rhode Island would be **services**, which would lose between **0.2 and 0.3 percent** in economic output, **energy-intensive manufacturing**, which would lose between **1.0 and 1.4 percent**, and **non-energy-intensive manufacturing**, which would lose between **0.3 and 0.9 percent**.

<sup>\*</sup> The NAM analyzed two carbon tax scenarios: a \$20/ton case increasing at 4 percent per year and an 80 percent reduction case designed to reduce carbon dioxide (CO<sub>2</sub>) emissions by 80 percent from 2005 emissions levels by 2053. The \$20/ton case has been the subject of recent debate among policymakers in Washington and was included in recent Senate legislation. However, by 2053, the \$20/ton case would only drive CO<sub>2</sub> reductions 31 percent below 2005 levels, far from the 80 percent reduction levels discussed in international negotiations, called for by environmental groups and embedded in prior congressional legislative proposals, such as the 2009 Waxman-Markey bill (H.R. 2454). The NAM, therefore, also modeled the 80 percent reduction case.