

# The Polluters Pay Climate Fund Act

**Senators Chris Van Hollen, Bernie Sanders, Ed Markey, Sheldon Whitehouse, Elizabeth Warren, and Jeff Merkley**

## Introduction

The catastrophic costs of climate change are evident all around us, with rising sea levels, more intense storms, and heat waves and drought. In the first six months of 2021 alone, there were eight weather or climate-related disaster events in the United States that cost at least \$1 billion each, from California flooding to Texas hailstorms to tornadoes in the Southeast.<sup>i</sup>

42 percent of the U.S. population live along coastal shorelines, where between \$66 billion and \$106 billion of real estate could be below sea level by 2050.<sup>ii</sup> Defending those coastal communities from sea level rise will cost more than \$400 billion over the next 20 years, with over 130 counties facing at least \$1 billion in costs just to hold back rising tides and chronic flooding.<sup>iii</sup> Places like Annapolis, MD, home to the U.S. Naval Academy, the site where George Washington resigned his military commission and paved the way for his presidency, and a thriving tourism and recreational boating sector, face persistent high tide flooding that limit customer access to businesses and restaurants.<sup>iv</sup> Insurers are expecting to mitigate costs by increasing premiums or eliminating policies for higher risk areas.

The health costs of climate are equally staggering – more than \$820 billion each year from cardiovascular disease, asthma, allergens, vector-borne disease, heat stroke, smoke exposure from wildfires, and more.<sup>v</sup> Communities of color and vulnerable populations like children, pregnant women, older adults, and those with chronic medical conditions are most at risk.<sup>vi</sup>

The scientific consensus is overwhelming – climate change is caused by human activity and particularly by the burning of fossil fuels and emissions of carbon and methane. Fossil fuel companies have known the impact of these emissions for decades and they not only failed to share their science, they took deliberate action to mislead the public.

According to a report from Taxpayers for Common Sense, in 2019, the six biggest private oil and gas companies had more than \$55 billion in profits.<sup>vii</sup> Those same six companies have made \$2.4 trillion profit since 1990.<sup>viii</sup> And throughout, they have been rewarded by tens of billions of dollars in federal subsidies. It's time for a change.

## Polluter Pays

Congress can generate significant revenue to address our climate challenges by turning to the industry that caused them. Using peer-reviewed “carbon attribution” research, it is possible to definitively attribute carbon and methane in the atmosphere to specific companies like ExxonMobil, Chevron, and Shell. Using this methodology, Congress can establish a Polluters

Pay Climate Fund that assesses companies based on their contribution to global emissions and appropriate the funds to ensure a just climate transition. Fossil fuel companies have never been held to account for the societal costs of their emissions. Instead, they have profited for generations from a damaging business model and have benefited from federal subsidies for their operations. It's time for them to contribute to the climate response.

### **The Polluters Pay Climate Fund**

#### ***The Polluters***

The payors into the Polluters Pay Climate Fund would be U.S.-based fossil fuel extractors and oil refiners and those foreign-owned companies doing business in the U.S. that were responsible for at least 0.05% of the total carbon dioxide and methane gas emissions between January 1, 2000 and December 31, 2019. This would limit the total number of payors to the 25-30 biggest polluters, with those who polluted the most paying the most.

Responsibility to pay would be based on a strict liability standard – there is no requirement to prove negligence or intentional wrongdoing. The proposal does not assign blame for specific damages – it simply ensures that these companies contribute to the solution.

#### ***The Assessment***

Addressing the threat of climate change requires investments – to rebuild infrastructure to protect against rising sea levels and extreme weather events; to support communities that have suffered disproportionately from degradation of the environment; and to power the transition to renewable energy, including research, deployment, and workforce training. These investments are an opportunity for a cleaner and more equitable future. Fossil fuel companies should contribute a fair share to that transition.

The Polluters Pay Climate Fund Act would set that share at \$500 billion over 10 years. The Department of Treasury, in consultation with the Environmental Protection Agency, would use established techniques to determine shares of emissions based on publicly-available data on past production. If companies wanted to dispute the agency's determination, they would have the opportunity to do so.

Ultimately, each of the top-polluting companies would receive a bill from the Treasury every year for 10 years that accounts for a proportional share of emissions.

With a \$500 billion assessment over 10-years, the biggest polluters – companies like ExxonMobil, BP, Shell, and Chevron – would likely be assessed about \$5-6 billion a year. For all but one of the five largest payors, that would equate to less than 3% of their gross receipts.

Congress has a clear right to require members of an industry to help fund a response to a problem caused by that industry.

### ***Impact on Consumers***

Under economic principles accepted across the ideological spectrum, the assessment would not be passed on to consumers. The assessment is based on past, not current, activity, so it does not impact the ongoing costs of production. It is charged to those with the highest past production, leaving some companies that are not subject to the assessment to act as price competitors and rivals for market share. And any attempts to collude to set a higher price would be illegal – and unlikely to attract companies that aren't covered by the Fund or have a lower pro-rata payment and a market-based incentive to undercut those who raise prices.

Instead, the costs would be borne by the corporations and shareholders who have reaped massive profits for decades. And the revenue in the Polluters Pay Climate Fund, could, among other purposes, actually help offset costs for consumers during the transition to clean, renewable energy generation.

### **The Pursuit of Justice**

There is a long and clear history of the deliberate actions that the fossil fuel industry took to conceal the truth and undermine climate science. Many of the biggest multinational oil giants knew the dangerous long-term impacts of burning fossil fuel as early as the 1970s. They hid this science and then engaged in a campaign of misinformation designed to cast doubt on the scientific consensus on climate change.

Like Big Tobacco before them, these companies endangered the public, and the communities they harmed should have their day in court. The Polluters Pay Climate Fund Act will not preempt state laws or lawsuits seeking accountability or damages. It does not provide a remedy for communities harmed by the deceptive behavior of the companies. It does not rule on guilt or innocence. The assessments are not a punishment.

### **A More Just Future**

The United States' historic reliance on fossil fuels has harmed communities across the country. "Cancer Alley" along the Mississippi River is populated by a concentration of high-polluting petrochemical companies that have poisoned the land and the people. A 2018 EPA study determined that race is the strongest predictor of exposure to high levels of air pollution, regardless of wealth. Black Americans are exposed to significantly more soot from burning fossil fuels, which is associated with heart and lung disease and premature death.<sup>ix</sup> Latinos are 51 percent more likely to live in counties with unhealthy levels of ozone.<sup>x</sup> Fossil fuel development has undermined Tribal Sovereignty, and Alaska Native communities are becoming our nation's first climate migrants due to erosion, melting sea ice, and more severe winter storms. Children in low-income communities are disproportionately at risk from air pollution and climate change, as air toxics can lead to adverse birth outcomes, asthma, and even neurodevelopmental effects.<sup>xi</sup>

We are at a moment of incredible opportunity to address these inequities, protect our communities, and transition to a clean energy future. We can engage low-income communities and communities of color to address environmental injustice; train workers to carry out energy

efficiency retrofits and renewable energy installation and generation; and rebuild to adapt and mitigate against the climate change that has already occurred.

For decades, the federal government has subsidized the fossil fuel industry, allowing them to reap massive profits while inflicting damage on our environment and misleading the public. With the Polluters Pay Climate Fund, the biggest polluters will contribute to the costs of repairing the damage and transitioning to a cleaner, healthier economy for all.

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<sup>i</sup> Adam.Smith@noaa.gov. "Billion-Dollar Weather and Climate Disasters: Overview." National Climatic Data Center. <https://www.ncdc.noaa.gov/billions/>

<sup>ii</sup> Reidmiller, D.R., C.W. Avery, D.R. Easterling, K.E. Kunkel, K.L.M. Lewis, T.K. Maycock, and B.C. Stewart. "Impacts, Risks, and Adaptation in the United States: Fourth National Climate Assessment, Volume." USGCRP 2018, pp. doi: 10.7930/NCA4.2018.

<sup>iii</sup> Climate Costs in 2040. [https://www.climatecosts2040.org/files/ClimateCosts2040\\_Report.pdf](https://www.climatecosts2040.org/files/ClimateCosts2040_Report.pdf)

<sup>iv</sup> Hino, Miyuki, Samantha Tiver Belanger, Christopher B. Field, Alexander R. Davies, and Katharine J. Mach. "High-tide Flooding Disrupts Local Economic Activity." Science Advances. February 01, 2019. <https://advances.sciencemag.org/content/5/2/eaau2736>

<sup>v</sup> "Report: Health Costs from Climate Change and Fossil Fuel Pollution Tops \$820 Billion a Year." NRDC. June 10, 2021. <https://www.nrdc.org/media/2021/210520>

<sup>vi</sup> Ibid

<sup>vii</sup> "Padding Big Oil's Profits." Taxpayers for Common Sense. February 14, 2020. <https://www.taxpayer.net/energy-natural-resources/padding-big-oils-profits/>.

<sup>viii</sup> Ibid.

<sup>ix</sup> "The American Journal of Public Health (AJPH) from the American Public Health Association (APHA) Publications." American Public Health Association (APHA) Publications. <https://ajph.aphapublications.org/doi/abs/10.2105/AJPH.2017.304297>

<sup>x</sup> "Latino Communities at Risk: The Impact of Air Pollution from the Oil and Gas Industry." Clean Air Task Force. September 2016. [https://www.catf.us/wp-content/uploads/2016/09/CATF\\_Pub\\_LatinoCommunitiesAtRisk.pdf](https://www.catf.us/wp-content/uploads/2016/09/CATF_Pub_LatinoCommunitiesAtRisk.pdf)

<sup>xi</sup> Payne-Sturges, Devon C., Melanie A. Marty, Frederica Perera, Mark D. Miller, Maureen Swanson, Kristie Ellickson, Deborah A. Cory-Slechta, Beate Ritz, John Balmes, Laura Anderko, Evelyn O. Talbott, Robert Gould, and Irva Hertz-Picciotto. "Healthy Air, Healthy Brains: Advancing Air Pollution Policy to Protect Children's Health." American Journal of Public Health. April 2019. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6417586/>.