U.S. manufacturers say carbon tax could cut factory output

WASHINGTON

The largest U.S. manufacturers' association on Tuesday warned that a potential tax on carbon emissions to fight global warming would cut factory output and could hurt the U.S. economy in other ways.

The National Association of Manufacturers (NAM) released a report predicting such a tax would raise energy prices, squeeze households and harm U.S. competitiveness. The association called the report a preemptive strike against a recent proposal of a carbon tax from two U.S. Senators who have not yet drafted any legislation.

NAM President Jay Timmons said the group wanted to show the negative impacts of a carbon tax "early and often" so it "never sees the light of day in Congress."

A carbon tax would charge emitters of greenhouse gases, such as power plants and industrial facilities, for each ton of carbon dioxide they emit. The goal would be to encourage a shift to cleaner energy and therefore lower emissions.

Some green groups and Democratic lawmakers have championed a carbon tax to curb carbon dioxide emissions blamed for warming the planet, disrupting weather patterns and raising sea levels by melting glaciers. A handful of former Republican policymakers and some conservative think tanks have also touted its potential to raise revenue for a cash-strapped federal budget.

"There is a lot of discussion on a potential carbon tax and I think it's premature to think it is dead on arrival. Dead ideas have a way of resurrecting themselves in different forms (in Congress)," Timmons told reporters.

The NAM report said a tax of $20 per ton of carbon dioxide emissions could cut energy-intensive manufacturing output by as much as 15 percent by 2053, based on a study conducted by NERA Economic Consulting.

U.S. policy makers have viewed a potential tax on carbon as a taboo subject in recent years. U.S. Treasury Secretary nominee Jacob Lew said in written testimony to the Senate Finance Committee that the White House has no plans to propose a carbon tax. Lew was confirmed by the panel on Tuesday.

But this month, Senators Barbara Boxer, Democrat of California and independent Bernie Sanders of Vermont, two of Congress' most liberal lawmakers, proposed a bill to tax carbon emissions. They said such a tax would raise up to $1.2 trillion in federal revenue over 10 years.

The carbon tax concept was also discussed in November during discussions...
on avoiding the so-called "fiscal cliff" of automatic tax rising and spending cuts.

The Congressional Research Service, in a 2012 report, said a $20 per ton tax on carbon emissions could halve the U.S. budget deficit over time.

But Tuesday's NAM report said that any revenue raised from the carbon tax would be significantly outweighed by the negative effects on the economy.

Opponents say a carbon tax would dampen manufacturing productivity and also have a negative impact on output as energy costs would rise and send a ripple effect through supply chains.

"Higher production costs and reduction in output would ripple through the rest of the economy, reducing household incomes and consumption," said Anne Smith, senior vice president of NERA.

The report also projected that a carbon tax would lead to lower real wage rates because companies, facing higher costs, would cut workers' incomes to compensate.

Imposing a tax would also result in a loss of worker income "equivalent to between 1.3 million and 1.5 million jobs in 2013 and between 3.8 million and 21 million by 2053," the report said.

In addition to cutting greenhouse gas emissions and reducing the risk of escalating costs from more severe weather disasters, the legislation proposed by Sanders and Boxer would help American manufacturers and create jobs.

Senator Sanders on Tuesday hit back at the findings of the NAM-sponsored report, and said the cost of not responding to climate change would escalate costs to taxpayers, homeowners and businesses as natural disasters become more frequent.

Sanders said his bill protects manufacturers by calling for $75 billion to be invested over 10 years to help manufacturers invest in energy efficiency and make them more competitive. It also would invest $10 billion over 10 years for job-training programs for workers in new energy technologies.

(Reporting By Valerie Volcovici; Editing by David Gregorio)