Testimony on Senate Bill 6646 (an act establishing an environmental infrastructure bank)

Submitted by Scott Shepard, Policy Director

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Good afternoon. My name is Scott Shepard. I am the Policy & Research Director for the Yankee Institute for Public Policy, Connecticut's free-market think tank. I submit this note in opposition to **Senate Bill 6646**.

This bill proposes a new energy tax of at least one mill per kilowatt hour on energy users. This is an irresponsible proposal. Connecticut's energy charges are already the highest in the continental United States.[1] They are nearly *twice as high* as the national average.[2] This is an astonishing statistic that is deeply probative of why Connecticut's economy hobbles along at one of the worst growth rates in the country as well.

These economic-growth-killing measures are not only bad for the economy; they're bad for Connecticut's ecology. Studies have demonstrated that throughout the 20th and 21st centuries, the best reducer of pollution and the best increaser of energy efficiency and limiter of carbon emissions has been *prosperity*. The richer a country is and the more highly developed its technology, the more likely it is to invest in conservation and environmental-protection measures, and in cleaner technologies and processes.[3] One recent illustration of this fact is that

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[1] *See, e.g.*, Heath Knakmuhs, *Lagging Infrastructure = Higher Energy Prices*, FUEL FOR THOUGHT: ENERGY NEWS, ANALYSIS & INSIGHTS (Global Energy Institute, U.S. Chamber of Commerce, March 14, 2019).

[2] *See id.*

[3] In slightly more detail, what the history and scholarship illustrate is that societies tend to follow a U-shaped curve, called "the environmental Kuznets curve," which describes this progression:

> At low levels of development, both the quantity and the intensity of environmental degradation are limited to the impacts of subsistence economic activity on the resource base and to limited quantities of biodegradable wastes. As agriculture and resource extraction intensify and industrialization takes off, both resource depletion and waste generation accelerate. At higher levels of development, structural change towards information-based industries and services, more efficient technologies, and increased demand for environmental quality result in leveling-off and a steady decline in environmental degradation.

Theodore Panayoutou, *Economic Growth and the Environment,* ECONOMIC SURVEY OF EUROPE 2003, No. 2 45-46 (2003), *available at* http://www.unece.org/fileadmin/DAM/ead/sem/sem2003/papers/panayotou.pdf. *See also id*. (showing consensus that U.S. and western nations are moving up right leg of U-curve); Jesse H. Ausubel & Paul E. Waggoner, *Dematerialization: Variety, Caution, and Persistence,* 105 PROC. OF THE NAT'L ACAD. OF

Americans have also been decreasing our carbon footprint faster than any other people in the world. This is not because of our participation in paper agreements such as Kyoto and Paris that brought few real improvements worldwide and which the United States abjured. Rather, it is because we have invested in new and innovative natural-gas retrieval technologies that have allowed much of the country to shift from higher- to lower-carbon energy use.[4]

There is thus an exceptionally strong argument to be made that the best thing for the environment is to get out of the way of the economy, or at least only to pass environmental taxation or regulations that will have only small negative drags on the economy. At very least, though, it counsels against any statutory or regulatory regime, however well intended, that will have a significant drag on the economy for only a notional or relatively small overall environmental benefit.

Raising what are already the highest energy costs in the country for marginal environmental-investment programs is not in concert with that proven model.

That the money raised by this additional tax will go to green-investment projects will hardly matter to the overburdened families and businesses of Connecticut. In addition to having the highest energy taxes, we are also, by some measures, the second highest-taxed state in the Union. Whatever is done with the revenues from this proposed energy-tax increase, it will still affect most taxpayers the same way. And because the uses to which this revenue will be put seem designed to include subsidizing the competitors of some taxed entities, this structure would for some taxpayers be worse than just another tax raid for the benefit of the general fund.

The structure of this bill is also fundamentally ill-considered. There is no need to create yet another quasi-public agency; we have quite enough as it is. Given Connecticut's overtaxed condition, any proposal for new entities ought to be required to close down and end funding for the programs or entities replaced – and only after a demonstration that the new entity will do more with fewer resources. Additionally, this bill fails even to define the purposes of this new entity; while it is assigned to spend the proceeds of this new tax on "environmental infrastructure" projects, it fails to provide guidance for how the agency is meant to identify such projects, or what limits are to be placed on the agency. This lack of guidance and limits underscores another incongruous feature of the bill: the whole of the funding would come from a tax on electricity, while the agency to which the funds will flow would be able to "invest" those revenues in environmental projects of any sort it wished, including in sectors not taxed at all by this bill.

THE SCI. OF THE U.S., 12,744, 12,779 (2008), *available at* http://www.pnas.org/content/105/35/12774.full.pdf+html (same).

[4] Robert Rapier, *Yes, The U.S. Leads All Countries in Reducing Carbon Emissions,* FORBES (Oct. 24, 2017), *available at* https://www.forbes.com/sites/rrapier/2017/10/24/yes-the-u-s-leads-all-countries-in-reducing-carbon-emissions/#6c2bb4803535.

At some point enough is enough. With our energy prices, Connecticut is well past that point, with the catastrophic economic effects that we all have seen in the last decade. The state cannot afford to drive up Connecticut's energy prices any further.