

# ‘Low carbon, high costs’ report sounds alert on dangerous standard

Cap and trade would provide minimal environmental benefit and do maximal damage to the economy

By Jason Hayes | October 2024

If Michigan legislators pass Senate Bill 275, the bill’s new “low carbon fuel standard” will increase costs for drivers by \$350 per person annually. Our new report, *Low Carbon, High Costs: How a Clean Fuel Standard Would*

*Increase Gas Prices and Living Costs in Michigan*, shows how the standard will impact the statewide economy, provide almost no environmental benefit, and enrich rent-seeking businesses rather than helping the people of Michigan.

The proposed standard, which aims to reduce carbon dioxide emissions, works through a complicated cap-and-trade system. Its rising costs will hit those living in poverty the hardest, but its impact will extend to millions of inflation-pressured Michigan residents.

“Under the standard proposed in Senate Bill 275 of 2023,” our report says, “Michigan would need to

reduce its aggregate fuel supply’s carbon intensity — a measurement of how much carbon dioxide is released per unit of fuel consumed — by 25% by the end of 2035, using 2019 as the baseline.”

“**But Michigan’s proposed low-carbon fuel standard will increase costs for residents and businesses without delivering environmental benefits.**”

Higher costs: Senate Bill 275 will resemble a gasoline tax for the average Michigan family. The proposed low-carbon fuel standard will raise gasoline prices by \$0.34 per gallon

and diesel prices by \$0.39 per gallon by 2035, resulting in an additional \$350 per year in fuel costs for the average household.

Low-income residents: Low-income households will be hit hardest as the low-carbon fuel standard raises the price of goods and services across the economy. As fuel costs increase, transporting workers and products — food, electronics, furniture, building materials, etc. — will become more expensive.

Minimal environmental impact: Adding insult to injury, the standard would provide almost no

environmental benefit. The standard's reduction in carbon emissions is projected to decrease global temperatures by an effectively unmeasurable 0.0003°C by 2100. (Even this prediction is based on the questionable forecasts produced by climate models.)

**No infrastructure improvements:** Unlike traditional gas taxes, which are often used to fund road construction and maintenance, the costs of the new fuel standard will be channeled into the bank accounts of companies producing lower-carbon fuels and electric vehicles. Although Gov. Whitmer has promised for years to “fix the da\*\* roads,” this bill offers no improvements for Michigan’s infrastructure.

**Biofuels ‘bait-and-switch’:** Biofuels like ethanol, which emit less carbon dioxide than gasoline, will initially generate credits under the cap-and-trade system imposed by this bill. But as the emissions standard becomes more stringent, the CO2 produced when biofuels are used will make them “deficit generators.” Under the stricter cap-and-trade rules, these biofuels will be targeted as polluters. When emission standards become so strict that even ostensibly green biofuels can’t meet the requirements, residents and businesses will have no choice but to switch to electric vehicles and other less carbon-intensive technologies.

**Inflation:** Inflation is already a concern for most American families. The Joint Economic Committee

of Congress reports that Michigan households are already paying “\$1,002 more per month to purchase the same basket of goods and services as in January 2021.” The more stringent fuel standard will drive those inflationary pressures higher.

**Oregon and California:** Similar fuel standards have caused rapid increases in fuel prices in Oregon and California. Michigan’s more aggressive proposal — a 25% reduction in carbon intensity by 2035 — will lead to steeper price increases here.

Most people agree that environmental stewardship is essential. But Michigan’s proposed low-carbon fuel standard will increase costs for residents and businesses without delivering environmental benefits.

Michigan should reject the proposed low-carbon fuel standard because it will place an unnecessary burden on families already struggling with rising living costs.

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