



Written by [Rebecca Terrell](#) on March 8, 2010

## Gas Prices May Reach \$7 Per Gallon

President Obama's fiscal year 2010 EPA budget calls for carbon reductions that would require raising the cost of gasoline to \$7 per gallon within the next 10 years. A report released this month by Harvard University's Belfer Center for Science and International Affairs explained that for Obama to reach his goal, he would need to employ a one-two punch approach, hitting both utility and transportation sectors with strong emissions-reducing taxes.

The Belfer Center report, [Reducing the U.S. Transportation Sector's Oil Consumption and Greenhouse Gas Emissions](#), criticizes Obama's current plan as short-sighted. "Reducing oil consumption and carbon emissions from transportation is a much greater challenge than conventional wisdom assumes," warns the report. It also says subsidies for alternatives such as electric and hybrid vehicles are "extremely expensive and ... ineffective" in the short term.



But don't let their criticisms fool you. The authors of the report call for aggressive climate change policies and illogically conclude, "Even under high-fuels-tax, high-carbon price scenarios, losses in annual GDP, relative to business-as-usual, are less than 1 percent, and the economy is still projected to grow at 2.1 - 3.7 percent per year assuming a portion of revenues collected are recycled to taxpayers."

Ignoring recent revelations that EPA's greenhouse-gas "endangerment finding" is based on [fraudulent data](#), the report proposes several scenarios which the authors claim will reduce so-called emissions from the transportation sector without significant harm to the economy. The scenarios involve an economy-wide carbon dioxide tax set at \$30 per ton in 2010 and escalating to \$60 per ton in 2030. The Belfer Center says it would be "a surrogate for a cap-and-trade system like that proposed in the pending American Clean Energy and Security Act." The reference is to [H.R. 2454](#), passed by the House last June and now before the Senate in the form of [S. 1733](#). Many Democrats have suffered in the polls because of their support of these bills, leading Obama to [begrudgingly admit](#) final passage is unlikely.

Harvard's solution (in characteristic socialist fashion) is adding to a cap-and-trade tax one or more of the following:

- Income tax reductions to offset the burden of a carbon tax on consumers. The authors note there is no such provision in the American Clean Energy and Security Act, but claim including it would significantly reduce economic impacts.



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- A "strong" gasoline and diesel tax of \$0.50 per gallon this year, increasing by 10 percent per year to reach a \$3.36 per gallon tax in 2030.
- Improvements in Corporate Average Fuel Economy ([CAFE](#)) standards to 43.7 miles per gallon by 2030.

The authors argue an economy-wide carbon tax alone would provide little incentive to the transportation sector to curb emissions. Electric utilities would be more adversely affected since they rely more heavily on coal. Therefore, the suggested "additions" listed above are necessary because taxing consumers is the only way to reduce oil consumption and its accompanying greenhouse gas emissions.

The report advises if Obama wants to reduce both emissions and petroleum imports, "consumers cannot continue to drive more and more each year." That is why, according to the authors, electric and hybrid vehicles don't measure up — they only encourage more driving. The report argues, "The most effective policy for reducing CO2 emissions and oil imports from transportation is to spur the development and sale of more efficient vehicles with strict efficiency standards while increasing the cost of driving with strong fuel taxes."

It ends with the ominous warning that greenhouse gas emissions will continue to grow if the report's suggestions go unheeded.



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