GAME CHANGERS
Economic Policies for a Working America

POLICY BRIEF

THE FOSSIL FUEL PHASEDOWN:
Energy Security and Climate Defense for All

BY JAMES K. BOYCE
AND MICHAEL ASH

JULY 2026

The Problem

Fossil fuels threaten the energy security of working Americans as well as the world's climate. The human, economic, and environmental costs of fossil fuels – none of which enter into their market price – will continue to mount unless we act to phase down their use and transition to a more secure and resilient energy future.

Past Failures

Bipartisan efforts to address the climate crisis in the century's opening decade focused on cap-and-trade bills. Legislative proposals repeatedly failed, due not only to opposition from the fossil fuel lobby but also to concerns about their effects on the purchasing power of working Americans. In the 2010s, the Republican Party veered into climate change denial. The Democratic leadership meanwhile adopted an "all-carrots-no-sticks" strategy that advanced the clean energy transition, though not enough to solve the climate crisis or provide energy security for working families. Today we see the legacy of these past failures in the rising costs of extreme weather events and the latest oil and gas price surge triggered by the Iran war.

Game Changer: Phasing Down Fossil Fuels

A politically viable policy for defending the climate must enhance the energy security of working Americans, not only in the long term but also here and now. This can be done by setting a reliable timetable for phasing down fossil fuels, auctioning permits to bring fossil fuels into the nation's economy up to the limit set by this timetable, and recycling 100% of the auction revenue directly to households and communities to safeguard their purchasing power and strengthen climate resilience.

This policy has three pillars:

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1. **The Phasedown**
   The starting point is a hard limit on the quantity of fossil carbon that enters the nation's economy in oil, natural gas, and coal. This limit will decline at a steady pace to yield a 90% reduction in 30 years. Along with advances in negative emissions technologies, this would achieve a net-zero carbon economy. To implement the phasedown, fossil fuel corporations will be required to buy non-tradable permits at quarterly auctions. For each ton of carbon dioxide that will be emitted when the fuel is burned, the firm must surrender one permit. The quantity of permits, set by the limit, declines year by year.
2. **Energy Security Cashbacks**
   Seventy-five percent of the auction revenue will be returned directly to households in equal per capita payments called Energy Security Cashbacks. The cashbacks will maintain the purchasing power of working families and will bring net income gains to the vast majority of Americans.
3. **Resilient Communities Fund**
   Twenty-five percent of the auction revenue will be returned to state and local governments through a Resilient Communities Fund. Most of this will be allocated on an equal per capita basis to maintain the purchasing power of state and local governments and help them invest in energy efficiency and extreme weather preparedness. Part will also be dedicated specifically for assistance to the regions and communities most affected by the environmental impacts of fossil fuels and the economic impacts of the phasedown.

Rationale & Feasibility

A key feature of this policy is that it confronts the issue of energy security for working Americans head-on.

In the short term, the limit on the supply of fossil fuels is likely to raise their price. Higher fuel prices have long been regarded as a political no-go area, although consumers remain at the mercy of extortionate prices during oil price shocks. To ensure energy security during the phasedown, the Energy Security Cashbacks and Resilient Communities Fund recycle the revenue from higher fuel prices directly to the public. This turns the conventional political logic on its head: rises in fossil fuel prices become an income booster for working Americans and their communities.

In the long term, the fossil fuel phasedown liberates Americans from vulnerability to political and geographical chokepoints in world markets for extractive energy. After the initial investment in infrastructure, the energy sources for solar, wind, and geothermal power are free and cannot be held for ransom. This free energy does not need to pass through the Strait of Hormuz, nor is its price subject to the machinations of petrostates and multinational corporations.

This policy will yield multiple benefits:

First, the fossil fuel phasedown prevents further intensification of the U.S. role in the climate crisis and offers a politically viable model for other countries to adopt similar policies.

Second, the phasedown frees working Americans from vulnerability to extortionate prices for oil and natural gas.

Third, the Energy Security Cashbacks bolster the purchasing power of working Americans during the phasedown.

Fourth, the Resilient Communities Fund safeguards the purchasing power of state and local governments and strengthens their ability to invest in climate resilience.

Fifth, the phasedown will prevent illnesses and thousands of premature deaths from air pollution from fossil fuels, benefiting the health of all Americans, especially in communities overburdened by environmental hazards.

Finally, the universal coverage of the Energy Security Cashbacks and Resilient Communities Fund will guarantee that all Americans share alike in the policy's benefits, conveying a message of unity for the common good as opposed to division and despoilation.

In short, this is an environmental policy that works for working Americans.

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*For more information on this topic, including the **Background Paper**, please visit our policy page.*

Contacts: James K. Boyce boyce@econs.umass.edu / Michael Ash: mash@umass.edu