

Study: EPA Overstated Benefits And Ignored Costs of Clean Power Plan

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The Environmental Protection Agency's (EPA) Clean Power Plan overstates its benefits and underestimates its costs, according to a new study published Thursday by the conservative Manhattan Institute.

“My conclusion is that there are few benefits, which have been massively overestimated, and huge costs, which have been massively underestimated,” Dr. Jonathan Lesser, author of the study and president of the economic consulting firm Continental Economics, told The Daily Caller News Foundation. “From a cost-benefit perspective, there’s simply no justification for the EPA’s Clean Power Plan.”

The study found the EPA’s cost-benefit analysis significantly overestimated the direct benefits of the plan. The EPA claims the plan will provide annual benefits worth \$20 billion and that other various “co-benefits” could be worth an additional \$14 to \$34 billion. The agency claims the costs will be a mere \$9 billion each year. A study by NERA Economic Consulting for an industry group estimated the Clean Power Plan will cost a much more staggering \$41 billion annually.

“The EPA’s analysis has got a lot of errors and sloppy modeling,” Lesser continued. “The agency classifies deaths from heart disease or lung issues as premature and caused by pollution with no age cut-off. So if your aging 90 year old grandmother who smoked 3 packs of cigarettes a day dies of lung cancer, that’s a premature death caused by pollution which the Clean Power Plan would have prevented according to the EPA.”

The EPA has a long history of assuming extremely dubious health benefits from regulations. In 2012, proposed EPA mercury regulations would have cost users \$10 billion to protect a speculative computer-modeled population of unborn children whose mothers annually consume more than 225 pounds of local freshwater fish caught from the most polluted 10 percent of U.S. inland waterways. The regulation found eating such fish would create an undetectable loss of 0.00209 IQ points for children born into subsistence-fishing households in America.

“The EPA assumes \$20 billion worth of benefits from the social cost of carbon,” Lesser told TheDCNF. “However, using the agency’s own climate models the plan will have no impact on

the rate of global warming. Where are the benefits coming from? I think that its impossible that the EPA didn't double-count the plan's co-benefits.”

The study found many of the EPA's co-benefits come from assuming coal plants will be closed twice. Many of these plants are already slated to close due to other EPA regulations.

The environmental justifications for the Clean Power Plan are also weak. Analysis by the libertarian Cato Institute using models created by the EPA states the plan will only advert 0.019° Celsius of warming by the year 2100, an amount so small it can't be detected. The EPA actually omitted the amount of warming the Clean Power Plan will prevent from its regulatory impact analysis. The agency admits it assesses the plan's benefits “qualitatively because we do not have sufficient confidence in available data or methods.”

“On the cost side, EPA underestimates the costs. Their models assume perfect certainty about the future and make a lot of assumptions about improving operating efficiency of green and conventional energy,” Lesser stated. “They just assume that without the Clean Power Plan, nobody who owns a power plant would ever become more efficient. Finally, the agency just assumes you can easily improve green energy. The agency outright assumes that you can double the amount of wind power used without raising costs and even assumes that solar panels will be generating electricity at midnight! This indicates sloppy modeling.”

The Clean Power Plan will eliminate most cheap coal power plants and replace them with much more expensive and unreliable sources like solar and wind. The EPA's analysis assumes wind and solar power will solve all technical issues by that time period. The agency even assumes solar panels will generate electricity at midnight.

“Another big problem is that the Plan harms the American economy by raising energy prices which increases the costs of goods and services. The more the EPA harms our economy, the less incentive there is for other countries to make a similar sacrifice. The EPA actually assumes that the plan will somehow encourage other countries to cut CO2 emissions when it will reduce their incentive to do so.”

As electricity becomes more expensive, the cost of producing goods and services that use electricity increases, effectively raising the price of almost everything. These higher prices are ultimately paid for by consumers, particularly the poorest Americans. The poor tend to spend a higher proportion of their incomes on electricity, gasoline, food and other basic needs. When the price of electricity increases, the cost of producing goods and services that use electricity increases too. Thus, high electricity prices effectively increase the price of most basic goods.

Raising the price of electricity to modestly effect global warming is estimated to hurt the poor 1.4 to four times more than the rich, according to a study by the National Bureau of Economic Research.

“My conclusion is that there are few benefits, which have been massively overestimated, and huge costs, which have been massively underestimated. This doesn't mean that there's no justification for slowing global warming or reducing CO2 emissions, but from a cost benefit

perspective, there's simply no justification for the EPA's Clean Power Plan. Neither of the EPA's justifications are valid," Lesser said.

The plan has already been legally challenged by 27 state governments and temporarily blocked by the U.S. Supreme Court.