



EPA Compliance Costs \$100 Billion-Plus, “Millions” of Jobs, Industry Says. Really?

By David Sims – 12/14/12

According to a recent release from National Association of Manufacturers (NAM), six major Environmental Protection Agency regulations could cost manufacturers “hundreds of billions of dollars and cause the loss of several million jobs.”

The study, “A Critical Review of the Benefits and Costs of EPA Regulations on the U.S. Economy,” reported industry sources claiming that annual compliance costs for the six regulations will set industry back between \$63.2 billion to \$138.2 billion. EPA estimates, however, are that compliance would cost a more modest \$36 billion to \$111.2 billion.

The study examines the cumulative impact of the EPA’s final Utility MACT and Boiler MACT rules, its still-pending Coal Combustion Residuals and Cooling Water Intake Structures regulations, its expected Cross-State Air Pollution Rule and National Ambient Air Quality Standards for Ozone on the U.S. economy, according to the release.

Industry sources say the total capital expenditures required by all six regulations would range from \$404.5 billion to \$884.5 billion. EPA sources put the expenditures from \$174.6 billion to \$539.3 billion.

NAM President and CEO Jay Timmons criticized the “layer upon layer of regulations” which, he says, are “weighing down manufacturers’ ability to help lead our country’s economic recovery.” He said manufacturers are facing “even higher energy prices, skyrocketing compliance costs, less investment opportunities and significantly fewer jobs.”

In fact, the report said, “The upfront costs for U.S. manufacturing from just three of the EPA’s proposed rules could amount to 2.9 percent of the value of the manufacturing sector’s output.”

Industry, of course, is never particularly crazy about government regulation, but the numbers being published by industry critics of such regulations are remarkable. In October Environmental Leader, an industry journal for the environmental and energy management news, reported that current and pending EPA power plant regulations “could cost the US economy up to \$275 billion between 2010 and 2035 if the regulatory timeline is followed, according to updated findings from the Electric Power Research Institute.”

The EPRI's study recommended building some flexibility in the regulations, arguing that simply giving utilities more time to meet them "could save the economy about \$100 billion over that same time period," while "reducing the financial burden on utilities."

The ERPI study particularly looked at coal-based power plants and the fact that they must comply with the EPA's Mercury and Air Toxics Standards by 2015: "Under the current or reference case scenario, about 227 GW of existing coal-fired capacity would remain financially viable and up to 57 GW would either be retired or converted to another fuel source... Under the EPRI's flexible solution, 288 GW of coal generation could remain in operation and about 36 GW would be retired or changed to burn different fuels."

The coal power industry is not likely to get any favorable treatment anytime soon, however. During the 2008 campaign, then-candidate Sen. Barack Obama told the San Francisco Chronicle that his intention was to bankrupt the coal industry: "If somebody wants to build a coal powered plant, they can, it's just that, it will bankrupt them because they're going to be charged a huge sum for all that greenhouse gas that's being emitted."

His attitude towards coal-powered energy hasn't warmed, either. In fact, in early November the Washington Examiner reported that the Environmental Protection Agency "is planning new anti-coal regulations to be implemented" upon an Obama re-election, regulations which "will prevent new plants from being built and will cost Americans nearly a trillion dollars."

However, a dissenting point of view is presented by two analysts from the Cato Institute, Jerry Taylor and Peter Van Doren. Writing in Forbes, the two analysts from Cato, traditionally associated with more conservative-leaning causes and policy advocacy, write "One might think that conservatives would be positively euphoric about these regs ... and environmentalists, likewise, spitting mad."

They take such a sanguine approach to the issue because, as they point out, the draconian regulations apply "only to brand-spanking-new, non-peaking natural gas power plants and coal-fired power plants that might be built someday in the future. Not to existing power plants. Not to existing power plants that undertake extensive upgrades that might deem them a 'new source' for regulatory purposes under the Clean Air Act. And not to peaking gas-fired power generators."

That changes the picture a little bit.

Still, as Taylor and Van Doren say, when the EPA issued their long-awaited regulations for greenhouse gas emissions in mid-2012, opposing political camps took the usual stances — liberals immediately endorsed the regulations as vitally necessary to the continuance of human life on Earth, conservatives immediately pronounced them the death of Western Civilization. But a close reading of the regulations doesn't support either side.

Taylor and Van Doren reviewed the documents found them deserving neither of the right-wing's contumely nor the left-wing's praise.

Here's what they say: The regulation at issue proposes emissions targets of 1,000 pounds of CO₂ per megawatt-hour of generation. On the one hand this looks bad — obviously existing coal plants have no chance of meeting that without some pretty pricey carbon capture technology, but not to worry, Taylor and Van Doren say — they're not required to.

Both the EPA and utility sector CEOs agree that “there are no new coal-fired power plants in the pipeline that this rule might cover and no prospect of the same... [and] almost all of the gas-fired power plants that will be built will meet these standards without any additional costs.”

Taylor and Van Doren characterized the regulations as resulting in “negligible costs and, as the EPA itself confesses, negligible benefits.”

In fact, Taylor and Van Doren characterize the Obama administration's approach to coal regulation as about as productive as running in place. In 2009 the Supreme Court ruled that the EPA could regulate greenhouse gas emissions under the aegis of the Clean Air Act, they note, adding that the Obama administration “could have gone after existing coal-fired generation, but didn't. They could have imposed steep requirements on old and/or new gas-fired generators, but didn't. They essentially... did nothing.”

And when it comes to the EPA's tougher air pollution standards expected later this month, which involve small soot, dust and other particulate matter known as PM_{2.5}, which can be harmful in certain situations, JunkScience's Steve Milloy characterized it as a lot of huff and puff over nothing: “The EPA now wants to ratchet down the Clinton-era EPA standards of 15 micrograms per cubic meter to as few as 12 micrograms per cubic meter. This is kind of silly, because the national average, first off, is ten.”