

# POLICY FOCUS

## *The Clean Power Plan*

RECIPES FOR RATIONAL GOVERNMENT FROM THE INDEPENDENT WOMEN'S FORUM

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### WHAT YOU NEED TO KNOW

As the end of the Obama administration approaches, the President has made climate change a priority issue. In August, the Environmental Protection Agency rolled out its centerpiece policy, the Clean Power Plan, which President Obama declared “the single most important step America has ever taken in the fight against global climate change.”

Economists and the energy sector alike have warned for years that the regulatory package under consideration would have a major, negative financial impact on the United States. Even so, the Clean Power Plan's final edition is even more stringent than its earlier iterations. The rule will force states to cut carbon emissions to 32 percent below 2005 levels by 2030. If the EPA decides the measures crafted in statehouses aren't sufficiently draconian, it will impose the federal government's one-size-fits-all plan.

The regulation seeks to fundamentally alter America's power system, targeting traditional energy sources, such as coal and natural gas, while creating an artificial market for green energy sources like solar and wind, which remain vastly more expensive.

The Clean Power Plan will face significant legal challenges, but while this legal process unfolds, the industry will likely hedge, making some of these sweeping changes anyway, which will mean higher prices and less economic growth for American citizens. Ironically, while its economic harm will be great, the plan's impact on worldwide carbon emissions and climate change will be minimal.

## WHY YOU SHOULD CARE

While the astronomical costs of this regulation will be felt in every household across America, the environmental gains remain dubious. Here are a few important considerations:

- **Nationwide Economic Costs:** The Clean Power Plan will have a major impact on the U.S. economy, harming employment, hindering economic growth and imposing big compliance costs on American businesses.
- **More Expenses for American Households:** The Clean Power Plan will result in higher energy bills for Americans nationwide. And as manufacturers and producers grapple with rising energy costs, the price of other key consumer goods will also rise.
- **Poor and Minority Families Especially Harmed:** The impact of this expensive policy will fall especially on low-income, black and Hispanic families. Not only will they spend more on utilities but they'll also suffer some of the gravest job losses.
- **Little Impact on Climate Change:** While the Clean Power Plan is very costly, its impact on global carbon emissions and climate change is minimal. Likewise, it's unlikely the regulation will compel the world's biggest emitters to cut back on carbon.

## MORE INFORMATION

### Nationwide Economic Costs

President Obama has made broad environmental reform a priority in the last months of his second term. But Democrats have failed to secure Congressional support for far-reaching climate-change regulation—little surprise, given that polls repeatedly show Americans have other priorities. With the legislative option closed, the Obama administration has instead relied on executive action, increasing federal regulation through the Environmental Protection Agency. In August, the agency rolled out its centerpiece policy, the Clean Power Plan, which President Obama declared “the single most important step America has ever taken in the fight against global climate change.”

Economists are still tallying the total costs of the Clean Power Plan's final version, as released in August. But analysis of the earlier draft regulation, which proposed less stringent standards, suggests the overall impact on the American economy will be huge.

The EPA itself estimated that the compliance costs with the draft regulation would roughly equal the total cost of all Clean Air Act Rules promulgated by 2010, *combined*. Moreover, the EPA has a long history of underestimating the economic punch of its rules; in August 2014, the Government Accountability Office cautioned that the EPA had used outdated information

to conduct regulatory-impact analyses, which skewed its final estimates far lower than their actual cost.

The private sector's assessment of the Clean Power Plan is even graver. Examining the draft regulation, National Economic Research Associates (NERA) predicted annual compliance costs between \$41 billion and \$73 billion a year—about seven times what the EPA predicted. In total, NERA cautioned, compliance costs could tally as much as \$479 billion by 2030. Under the even more demanding final regulation, those costs could rise even higher.

The EPA estimates that the regulation could cost between 31,000 and 34,000 full-time jobs, many in the energy sector. It also concedes that as American businesses react to higher electricity expenses, they may eliminate as many as 83,000 jobs by 2030, with manufacturing hit particularly hard. The EPA and its supporters have argued that the Clean Power Plan will nonetheless result in a net increase in jobs, especially as the alternative-energy sector expands, but such predictions are optimistic at best, trading existing jobs for the promise of future ones.

### **More Expenses for American Households**

In addition to the macroeconomic consequences of the Clean Power Plan, this regulation will also impose a significant burden on American households.

The Obama administration presumes that federal meddling will reduce the cost

of renewable energy, eventually making it competitive with traditional energy sources. The President uses such Pollyanna predictions when claiming that the Clean Power Plan will eventually yield \$85-per-year savings for Americans. Unfortunately, the federal government's energy forecasts have consistently been wrong. Proponents of alternative energy consistently refer to an impending turning point, which somehow remains perpetually just around the corner, despite billions of taxpayer dollars invested under the guise of making these energy sources economically viable.

NERA's study takes a less starry-eyed approach to analyzing the law's expected impact, and predicts the Clean Power Plan would result in double-digit hikes in the price of electricity in all but seven states—and, keep in mind, that estimate was based on the EPA's more mild draft regulation. The Clean Power Plan will also drive up the cost of natural gas by as much as 29 percent, NERA's study estimated.

The pocketbook pain isn't limited to utility bills alone. Electricity is a key component in everything from manufacturing to food production, so as the price of electricity rises, American families can expect to pay more for their meals and commodities alike.

### **Poor and Minority Families Especially Harmed**

The economic cost of the Clean Power Plan isn't evenly distributed across

American households. It's regressive, falling disproportionately on poor and minority families. The EPA nearly acknowledges this sad reality, noting that "it is also important to ensure that, to the extent there are increases in electricity costs, that they do not fall disproportionately on those least able to afford them," specifically mentioning poor and minority families.

That concern is valid. Minority families on average spend a larger portion of their take-home pay on utilities; for example, black families spend 50 percent more of their pay than their white counterparts on these core energy expenses. So for these households, the rising utility costs will be particularly painful.

The National Black Chamber of Commerce characterized the Clean Power Plan as "a slap in the face to poor and minority families," damaging their economic prospects for years to come. In a recent study, it found that black and Latino families will lose as many as 19 million jobs by 2035 as a result of this regulation.

The National Black Chamber of Commerce's research also predicts many minority families will sink deeper into poverty. The black poverty rate could rise as high as 32 percent by 2025, and the Latino poverty rate could rise to 29 percent, it suggests, up from a respective 26 percent and 23 percent today.

To combat this problem, the federal government suggests indulging in more subsidies, including programs to help low-income or minority families afford energy-efficient fridges, better insulation, and even building-wide solar

panels. But that's a shoddy replacement for the lost economic opportunity and across-the-board higher prices these families can expect as a result of the new regulatory regime.

## Little Impact on the Environment

Though the EPA's Clean Power Plan represents an aggressive attempt to reign in America's carbon emissions, its overall impact on carbon emissions and climate change will be comparatively modest.

That's because, when it comes to the carbon emissions that are presumed to drive climate change, the United States simply *isn't* the problem. It accounts for only 5 percent of the world's total carbon emissions. Using the EPA's own statistical modeling, even if we were to take the most extreme measures possible, reverting to the dark ages and eliminating all carbon emissions, the expected temperature would only be 0.15 degrees Celsius lower by 2100.

For all its bluster, the Clean Power Plan accomplishes even less—a fact the EPA completely fails to mention. But using the EPA's own mathematical modeling, two Cato Institute experts discovered this costly regulation will decrease temperatures by less than two-hundredths of one degree Celsius by 2100. The change is so minute that only specialized scientific equipment could track it.

The impact on sea levels is equally unimpressive. Water levels would sink—but only the equivalent of two to three sheets of paper.

Supporters of the Clean Power Plan say such American leadership sets an important precedent and can be used as a negotiating tool to prompt change from other nations responsible for bigger emissions.

“If we don’t do it, nobody will,” President Obama said in August. “The only reason China is now looking at getting serious about its emissions is because they saw that we were going to do it too.”

But again, the reality is much less rosy. While China and the United States inked an emissions deal heralded as historic by the Obama administration and its supporters, the details are less promising.

The United States will move forward on the costly Clean Power Plan—and in exchange, China promises to invest in alternative energy, but gets a free pass to increase its carbon emissions until 2030, when it supposedly will start cutting back.

Keep in mind, too, that according to the U.S. Energy Information Administration, Chinese coal usage has increased dramatically—by more than *every other country combined* as of the last tally, in 2013. Far from an outlier, the federal government expects Chinese coal usage to increase by an average of 2.6 percent annually for the foreseeable future.

Finally, if China fails to live up to its end of the bargain on carbon emissions, the United States has no way to force Beijing to comply.

The Obama administration has touted the Clean Power Plan as a trailblazing policy to address climate change. In actuality, the Clean

Power Plan offers little bang for our buck. The environmental impact is excruciatingly minute, and the policy comes at an enormous cost to the U.S. economy and to American families.

### **The Obama Administration’s New Ozone Standards**

The Clean Power Plan isn’t the only environmental policy the Obama administration seeks to impose by executive action, circumventing Congress altogether. On Sept. 30, the EPA unveiled regulations governing ground-level ozone, or smog. The new standard allows only 70 parts per billion, down from the 75 ppb standard established in 2008.

The EPA’s newest downward revision comes despite the fact that sizeable portions of the United States had not yet caught up to the 2008 standards. It wasn’t just locations where 122 million Americans live that failed to meet standards; even several national park sites fell short of the federal government’s 2008 ozone-level requirements.

Meeting the EPA’s tough new smog standards will further strain the economy. In fact, the National Association of Manufacturers said the regulation could even become “the most expensive regulation in U.S. history,” carrying an economic cost of up to \$140 billion annually.

The EPA’s new ozone rules ignore the fact that smog levels have plummeted over the past four decades. Meanwhile, empirical research suggests the effects on public health will be minimal.

## WHAT YOU CAN DO

You can help your fellow Americans better assess whether the Obama administration's environmental regulations are worth the cost.

- **Get Informed:** Learn more about the cost of the Clean Power Plan! Visit:
  - The Independent Women's Forum
  - The Institute for Energy Research
  - The Cato Institute's Center for the Study of Science
- **Talk to Your Friends:** Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

- **Become a Leader in the Community:**

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

- **Remain Engaged Politically:** Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

## ABOUT THE INDEPENDENT WOMEN'S FORUM

The Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

We rely on the support of people like you! Please visit us on our website [www.iwf.org](http://www.iwf.org) to get more information and consider making a donation to IWF.

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