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Unearthing the Truth Behind Environmental Regulations

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As environmental regulators are continuing to write new rules, questions are getting posed as to whether government is overstepping its bounds or whether it is acting with the public's interest in mind. As such, the presidential candidates are taking opposing views, with each citing studies to support them.

Be wary. The research being used by President Obama and the presumptive Republican nominee Mitt Romney is often selective and underwritten by special interests that are trying to move public opinion. To that end, those studies will use variables and assumptions that lead to conclusions to bolster a political position.

“These job impact analyses are extremely sensitive to data and model structure, but in policy discussions the underlying assumptions and limitations of models are inconsistently reported and too often ignored,” says New York University School of Law's Institute for Policy Integrity, which released a report called “The Regulatory Red Herring.”

On Earth Day, the focus is on the Environmental Protection Agency that is often derided by its opponents as “job killers.” Most recently, it proposed setting limitations on carbon dioxide emissions, which affects profoundly older coal-fired power plants.

The agency says that the rules are revenue neutral and that the Clean Air Act requires it to carry them out. Opponents, however, say that EPA has overreached and that closing such power plants will increase electricity costs and hurt consumers, as well as put people out of work.

And there are a host of other pending rules — everything from mercury to sulfur to coal ash. The American Coalition of Clean Coal Electricity has assailed the EPA, issuing a study that says that 1.4 million jobs would be lost here as a result of those actions. On the other hand, the Political Economy Research Institute is predicting that the same proposals would create 1.4 million new jobs.

Obviously, both can't be right. But they arrive at their conclusions by using models and assumptions that are favorable to their viewpoints. A common anecdote may apply, says NYU: Suppose a baseball flies through the neighbor's window. The neighbor will be out \$100. But the business that sells the glass and employs the workers will benefit. One could say that this is simply a redistribution of the wealth, although if the new window would, for example, insulate the home and save on utility bills, then it does pay off.

Translated differently, by converting to modern forms of generation, utilities, too, would become more efficient, and cleaner. The affected individuals might be able to find work at the combined

cycle natural gas plants that would replace the dated coal facilities. Of course, the transition period may not be seamless.

The follow up is whether new rules should be delayed during economic lulls. This would depend on the specific circumstances, says NYU. While delaying such regs may avoid costs associated with continued production, it may also minimize the benefits that would be tied to compliance-driven employment, or associated with environmental quality.

“These regulations substitute the governments’ judgment about what the public should want for the public’s own judgment,” says Sterling Burnett, a senior fellow at the National Center for Policy Analysis, who spoke with this reporter. “The money being spent meeting regulations, which may or may not have any impact on reducing pollution, is money not being spent on innovating.”

When applied to coal-fired power plants, Burnett says that the environmental regulations will create jobs for those installing equipment and those merchants that cater to that workforce. But he adds that many productive power plants will be shuttered, laying off thousands of workers in the process.

American Electric Power, for example, must shut down 6,000 megawatts of coal-fired capacity that it says is running at 60 percent during peak periods. It says that it will comply but is asking for a “rational transition.”

But Exelon Corp. says that those arguing against such change have known it was coming since 2000 and that those hesitant utilities only want to squeeze more revenues from their power plants that have no pollution controls. That would be unfair to those other utilities that have acted in accordance with the Clean Air Act and that have already invested in pollution controls. The fact that some companies thought they could successfully resist the regs is their problem — not society’s.

Exelon adds that the regulations benefit human health and the economy. Toxic air emissions make it an imperative that the nation move toward cleaner generation. The new investment that will be required will both reduce health-related costs while giving job opportunities to those seeking work.

“Some claim that the power industry is monolithic and that we all think EPA has run amok,” says Bruce Alexander, environmental regulatory director with Exelon, in testimony. “This is simply not true. Many companies already have pollution control investments and are prepared to work with EPA.”

This whole debate over environmental regulations and their effect on jobs should also be placed in the context of federal energy subsidies. As such, the Brookings Institution has found that the clean economy employs 2.7 million across a diverse set of industries that includes modern gas and coal technologies. A smaller portion of that can be attributed to what many would categorize as green: wind, solar and smart grid. It also says that “clean tech” outperformed other industrial segments during the recession.

But Brookings also concluded, along with the Breakthrough Institute and the Worldwatch Institute, that such growth has been largely predicated on the federal stimulus funds provided during the Obama years. That money will total \$150 billion between 2009 and 2014. However, it

will diminish to \$11 billion in just two years — something that the think tanks say is a threat to clean technology and the jobs it has created.

It all circles back to defining government's proper role. Obama came to the White House during the depths of the recession and has used federal levers to propel economic growth by making environmental changes. Romney will argue that the more freedom government gives to entrepreneurs, the more it will inspire new wealth and innovation.

In the end, government has a role. It always has. Its job is to find a balance between protecting human health and improving the economy. The private sector is often quick to ask for public resources but then chides officials for imposing new rules. To that end, coal-fired utilities want the federal funds to build coal gasification plants but they buck any request to make existing plants cleaner. Indeed, the entire energy sector has ridden the coattails of Uncle Sam — from research and development efforts to tax preferential treatment.

The American electorate can be forgiven if it did not know this. Both political and PR campaigns have obscured those facts. What voters need to know now is that the research that each side assembles is using variables and assumptions that are favorable to their cause. With a little tenacity, the truth can be unearthed.