

The EPA's New Air Quality Regulations: All Pain, No Gain (Part One)

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Over the past two years the U.S. Environmental Protection Agency (EPA) has proposed or finalized a number of air quality regulations that could seriously retard the economic recovery. Economists estimate that two of the new rules — the Cross-State Air Pollution Rule and the Mercury and Air Toxics Standards — will cost millions of jobs and raise energy prices with little or no public health benefit.



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Cross-State Air Pollution Rule.

The Cross-State Air Pollution Rule was finalized by the EPA on July 6, 2011, and goes into effect on January 1, 2012. It will require 27 states to significantly reduce sulfur dioxide and nitrogen oxide emissions by 2014. Based on 2005 emissions, power plants will be required to cut their sulfur dioxide emissions from 8.8 million tons per year to 2.4 million tons per year (73 percent) and their nitrogen oxides emissions from 2.6 million tons per year to 1.2 million tons per year (54 percent).

The EPA argues that these pollutants are transported by prevailing winds, causing “downwind” states to violate national air pollution standards. Subject to EPA approval, the rule allows the “upwind” states to choose how they reduce emissions.

The Cross-State Rule could cost up to \$120 billion by 2015 and reduce the nation’s power supply by more than 55 gigawatts (almost 4 percent), according to the Brattle Group, an economic consulting firm.

Mercury and Air Toxics

Standards. In order to reduce emissions by electricity generating plants of certain pollutants, the Mercury and Air Toxics Standards requires use of the Maximum Achievable Control Technology. This means new plants will not be allowed to exceed the emissions of the least polluting power plant currently operating using the same type of fuel. By 2015, existing coal- and oil-fired power plants must reduce emissions to the average level of emissions of the least polluting 12 percent of plants currently operating.

The standard could cost an estimated \$100 billion by 2017, according to researchers at Credit Suisse, an international financial services company. The North American Electric Reliability Corporation (NERC), which is responsible for the reliability of the nation’s electric transmission grid, projects that the rule will require generating companies to modify up to 753 electrical generating units. NERC warns that it is likely impossible for power companies to complete the modifications by the deadline. Since it will not be technically possible for some coal-fired power plants to comply, roughly 1 percent of U.S. net electrical capacity will be shuttered. This could result in power shortages and instability in the country’s electrical grid, according to NERC.

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Effect of New Rules. Higher fuel prices and plant closures due to the Cross-State Air Pollution Rule and the Mercury and Air Toxics Standards could result in a net loss of 1.4 million jobs by 2020. The average household electricity bill could increase by 11.5 percent; some businesses could see as much as a 35 percent increase in electricity prices.

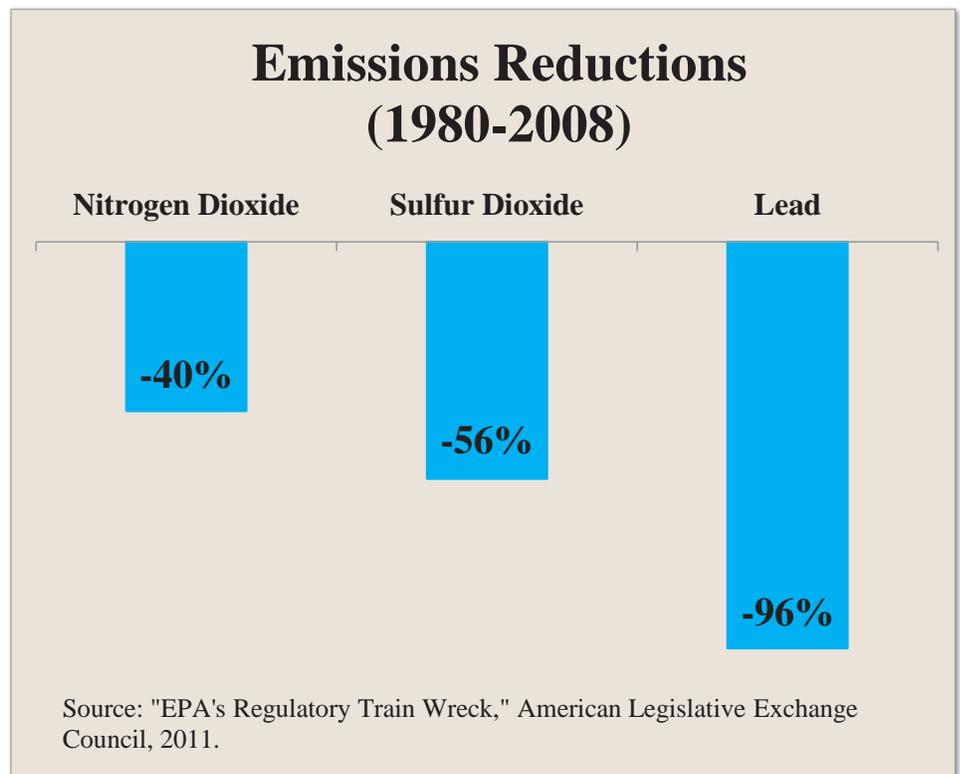
In addition, the rules would shift electrical power generation toward natural gas. The additional demand for natural gas would raise consumers' costs by \$85 billion over the next two years.

Air Quality Improvement. These regulations are arguably unnecessary since the air is so clean that there is little benefit to additional pollution reduction. According to EPA data [see the figure]:

- Between 1980 and 2008, emissions of nitrogen dioxide fell 40 percent.
- Emissions of sulfur dioxide fell by 56 percent.
- Lead emissions fell 96 percent.

These decreases came despite a 22 percent increase in population and a 19 percent increase in energy consumption since 1990.

Regulations Do Not Improve Health. In December 2010, Jeff Holmstead, former EPA Assistant Administrator for Air and Radiation, stated that even if there were no mercury emissions in the United States at all, there would be virtually no change in the amount of mercury to which Americans are exposed. That is because more



than 50 percent of the mercury people are exposed to comes from natural sources. Indeed, U.S. power plants are responsible for less than 1 percent of the world's yearly mercury emissions.

Emissions from the other pollutants regulated by the two rules are already declining and will continue to do so, primarily because of new technologies and a shift to power sources for new plants that emit less pollution.

More importantly, many of the claimed public health benefits from these rules are expected to result from reduced instances of severe cardiopulmonary events, including asthma. However, studies in the United States and internationally do not show a consistent link between asthma and air pollution. In fact, completely eliminating all U.S. power plant pollution would

reduce hospital visits resulting from serious respiratory and cardiovascular health events by only 0.4 percent to 1.6 percent, according to estimates in a study commissioned by the Clean Air Task Force, an activist group.

Conclusion. The economy is still struggling and many people remain unemployed. The loss of more than 1 million jobs and soaring energy costs over the next decade will stifle economic recovery. Current clean air standards and technological improvements are already improving air quality. Accordingly, Congress should rein in the EPA's assault on our already weakened economy.

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