

## **SIX MAJOR MYTHS ABOUT EPA'S PROPOSED CARBON REGULATIONS**

**MYTH #1: *The proposal will prevent global climate change.***

**FACT: The proposal will have practically no effect on global climate change.**

Here is the main reason why the proposal will not prevent global climate change: U.S. power plants are responsible for a small fraction (4 percent) of global greenhouse gas (GHG) emissions.<sup>1</sup> EPA's proposal will reduce global GHG emissions by a tiny amount (less than 1 percent) at a cost, according to EPA, of \$4.2 billion to \$8.8 billion per year.<sup>2</sup> This insignificant reduction in global GHG emissions means that:<sup>3</sup>

- Atmospheric CO<sub>2</sub> concentrations will be reduced by less than 1 percent.
- Global average temperature increase will be reduced by 0.016 °F.
- Sea level rise will be reduced by 1/100<sup>th</sup> of an inch, which is the thickness of three sheets of paper.

Other facts:

- China and India together emit more than 20 percent of all global GHG emissions.<sup>4</sup>
- Because of its growing economy, China emits more CO<sub>2</sub> in *one month* (more than 800 million tonnes) than the maximum amount EPA's proposal will reduce in *one year* (approximately 550 million tonnes).<sup>5</sup>
- As of late 2012, more than 65,000 megawatts (MW) of new coal-fueled generating capacity had been announced or planned in Europe.<sup>6</sup>
- Russia recently announced that it will construct the largest coal-fired power plant in the world (8,000 megawatts) and sell the electricity to China.<sup>7</sup>

**MYTH #2: *The proposal will prevent asthma and heart attacks.***

**FACT: This is a bait and switch tactic.**

Because the EPA proposal will have virtually no effect on global climate change (Myth #1), EPA is claiming health benefits for reducing ozone and particulate matter, pollutants that have been tightly regulated under the Clean Air Act for decades to ensure that air quality is safe. Moreover, EPA is required to revise these existing air quality regulations periodically if they do not protect public health.

Reductions in ozone and particulate matter have nothing to do with the purpose of EPA's carbon proposal, and claiming credit for these reductions is sometimes called "double counting." Double counting means that EPA is claiming credit for the *same* health benefits under *different* regulations in an attempt to show that benefits exceed costs. EPA admits that it may be double counting in its Regulatory Impact Analysis (RIA) for the carbon rule, saying, "... it is possible that some costs and benefits estimated in this RIA may account for the *same* air quality improvements as estimated in the illustrative NAAQS RIAs" (emphasis added).<sup>8</sup> The "same air quality improvements" simply means the same health benefits.

In addition, EPA's estimates of health benefits are controversial and have been questioned by health effects experts.<sup>9</sup> EPA itself recognizes numerous uncertainties in these estimates in the RIA.<sup>10</sup>

**MYTH #3: *The proposal will reduce energy bills.***

**FACT: This is misleading, at best.**

EPA acknowledges that nationwide average electricity *rates* would *increase* by roughly 6 percent in 2020 and 3 percent in 2030. (A nationwide average rate increase might look relatively small, but it masks substantially higher increases in individual states.) At the same time, EPA claims the *total cost* that consumers pay for electricity will *fall* under

its proposal. However, this lower total cost is deceptive because it is assumes that consumers will reduce their electricity consumption by at least 10 percent. *In short, consumers are forced to pay higher electricity rates but use less electricity.*

In addition, these electricity rate increases that EPA admits to do not include customer out-of-pocket expenses for the energy efficiency projects that EPA assumes ratepayers will undertake to reduce electricity consumption. These include purchases such as new air conditioners, double-pane windows, and insulation. EPA says that consumers will pay \$4 billion to 6 billion in 2020 and \$21 billion to \$26 billion by 2030 for these efficiency upgrades.<sup>11</sup> EPA also admits to large increases in natural gas prices, with commodity gas prices increasing 8 percent to 9 percent in 2020.

**MYTH #4: *The proposal will create jobs.***

**FACT: This is a common claim about many EPA rules, but it's not true.**

Here are a few of the reasons why this claim about jobs creation is a myth:

- More comprehensive projections of the employment impacts of a program similar to EPA's proposal show as many as 178,000 lost jobs per year.<sup>12</sup>
- EPA claims that its proposal will create jobs in the electric power production and fuel extraction sectors of the economy in 2020, but this is due to *temporary* construction jobs. Closer scrutiny of EPA's analysis shows these sectors are projected to *lose* an average of 47,000 to 49,000 job-years from 2017-2030.<sup>13</sup>
- EPA did not attempt to quantify job losses due to higher energy prices, although EPA seems to acknowledge there could be job losses.<sup>14</sup>
- EPA has ignored the negative impacts of higher energy prices on jobs in other rulemakings, most recently for its Mercury and Air Toxics Standards (MATS). In its RIA for MATS, EPA stated, "... the Agency is

unable to estimate ... the impacts on employment as a result of the increase in electricity and other energy prices in the economy.”<sup>15</sup>

- One sector that EPA believes will gain jobs is end-use energy efficiency. However, these projected job gains are based on unrealistic assumptions about increases in end-use efficiency.<sup>16</sup>

**MYTH #5: *The proposal is not a cap-and-trade program.***

**FACT: This is misleading because EPA’s proposal encourages states to establish cap-and-trade programs.**

The proposal sets state-by-state limits on CO<sub>2</sub> emission rates. EPA encourages the creation of state and regional cap-and-trade programs by allowing states to convert their emissions rate limits into mass based limits, which become the caps in a cap-and-trade regime. EPA goes further by encouraging states to group together to create regional cap-and-trade programs by allowing groups of states an extra year to develop and submit implementation plans. EPA highlights the Regional Greenhouse Gas Initiative (RGGI) -- a cap-and-trade program in the northeastern U.S. -- as an example of how states can establish cap-and-trade programs. Finally, regional compliance programs factor prominently in EPA’s assessment of the costs and benefits of the rule, reinforcing EPA’s preference for a cap-and-trade program.

**MYTH #6: *This is a good proposal because states have a lot of flexibility.***

**FACT: This is a bad proposal for lots of reasons, including limited flexibility.**

EPA’s proposal sets stringent requirements that states have limited opportunity to change. Many states must reduce emission rates by over 40 percent by 2030. In setting these requirements, EPA made critical assumptions about each state with limited input from or coordination with the states. EPA has decided how much coal, natural gas, nuclear, and renewable energy each state should use and how much less electricity

consumers should use. If states disagree with EPA, they have only 120 days to understand, analyze and rebut EPA's analysis of each state.

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<sup>1</sup> IPCC, Climate Change 2014, "Mitigation of Climate Change: Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change," Summary for Policymakers, page 6 ("IPCC Report"); EIA, Monthly Energy Review, February, 2014.

<sup>2</sup> EPA's analysis indicates that the U.S. electric sector would reduce emissions by approximately 384 million tonnes per year in 2020, rising to 550 million tonnes per year by 2030; global greenhouse gas emissions are currently 49 billion tonnes per year (IPCC Report); U.S. EPA, Regulatory Impact Analysis for the Proposed Carbon Pollution Guidelines for Existing Power Plants and Emission Standards for Modified and Reconstructed Power Plants, June 2014, page 3-22. ("RIA")

<sup>3</sup> "Climate Effects of EPA's Proposed Carbon Regulations," June 2014. [www.americaspower.org](http://www.americaspower.org)

<sup>4</sup> IPCC Report; Carbon Dioxide Information Analysis Center, Oak Ridge National Laboratory.

<sup>5</sup> A recent EU estimate (link below) puts Chinese CO<sub>2</sub> emissions in 2012 at 9.86 billion tonnes, which equates to approximately 822 million tonnes of CO<sub>2</sub> emissions per month. EPA's RIA p. ES-6 projects a reduction of 545 to 555 million metric tonnes of CO<sub>2</sub> in 2030. Therefore, China emits nearly 1.5 times the annual reduction CO<sub>2</sub> reduction achieved under EPA's proposal in 2030, assuming that China's emissions do not increase further by 2030. Put another way, the EPA proposal will offset in one year about 21 days of Chinese emissions. [http://edgar.jrc.ec.europa.eu/news\\_docs/pbl-2013-trends-in-global-co2-emissions-2013-report-1148.pdf](http://edgar.jrc.ec.europa.eu/news_docs/pbl-2013-trends-in-global-co2-emissions-2013-report-1148.pdf)

<sup>6</sup> World Resources Institute, "Global Coal Risk Assessment: Data Analysis and Market Research," November 2012.

<sup>7</sup> SNL, Report: Russia could build 8-GW coal plant to sell electricity to China, May 27, 2014 (highlighting Russia's plan to build an 8 GW coal-fueled power plant to supply electricity to China).

<sup>8</sup> U.S. EPA, RIA, page 4-15.

<sup>9</sup> See, for example, Valberg, Peter A., Ph.D., "Comments on U.S. EPA's projections of mortality reductions by reducing levels of particulate (PM-2.5) in our ambient (outdoor) air," September 8, 2011 (testimony before House Energy and Power Subcommittee); Valberg, Peter A., Ph.D., Christopher M. Long, Sc.D., and Ali K. Hamade, Ph.D., "Comments on the 'Integrated Science Assessment for Particulate Matter (First External Review Draft, December 2008): Large Discordances Remain Among the Different Lines of Health Effects Evidence," prepared for the Utility Air Regulatory Group, March 13, 2009; Goodman, Julie E., Ph.D., DABT, "EPA Assessment of Health Benefits Associated with PM<sub>2.5</sub> Reductions for the final Mercury and Air Toxics Standards," prepared for the American Energy Initiative Hearing, House Subcommittee on Energy and Power, February 8, 2012; Moolgavkar, Suresh, "A review and critique of the EPA's rationale for a fine particle standard," Regulatory Toxicology and Pharmacology 21

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(2005), 123-144; Moolgavkar, Suresh, "Fine Particles and Mortality," *Inhalation Toxicology*, 2006, Volume 18, No. 1, 93-94; J. M. Heuss and G. T. Wolff, Air Improvement Resource, Inc. "Alliance of Automobile Manufacturers Comments on the U.S. EPA's First External Review Draft of the Policy Assessment for Particulate Matter," April 23, 2010.

<sup>10</sup> U.S. EPA, RIA, page 8-8 – 8-10.

<sup>11</sup> U.S. EPA, RIA, page 3-19. EPA states that it allocates half the cost of energy efficiency programs to utilities and half to participants, but utility costs will most likely ultimately be paid by customers.

<sup>12</sup> NERA Economic Consulting, *A Carbon Dioxide Standard for Existing Power Plants: Impacts of the NRDC Proposal*, March 2014.

<sup>13</sup> Average job values are calculated from Option 1 results in RIA, Tables 6-4 and 6-5, and assumes values for a range of years applies to each year in that range. One job-year is the equivalent of one full-time job over one year.

<sup>14</sup> U.S. EPA EIA page 5-4.

<sup>15</sup> U.S. EPA, *Regulatory Impact Analysis for the Final Mercury and Air Toxics Standards*, December 2011.

<sup>16</sup> According to EIA's *2012 Electric Power Annual*, energy efficiency programs amounted to 1.4% of U.S. electricity demand in 2002, and had risen to only 3.6% ten years later in 2012. EPA's proposal imagines these programs could increase another 1.5 percentage points *per year* until they account for ten percent or more of each state's power demand.