



The Daily Dish

Economic Pain for No Gain

DAN BOSCH | JULY 25, 2022

The past few weeks have been rough for President Biden when it comes to addressing climate change.

On June 30, the Supreme Court [ruled](#) that a broad regulatory approach developed by the Environmental Protection Agency (EPA) in 2015 to transition away from coal and natural gas-fired power plants and toward renewables – one that provided a template for a forthcoming Biden Administration proposal – went beyond the authority Congress delegated to the agency. Specifically, the majority opinion said that when it came to matters of significant economic and political consequence, an agency “must point to ‘clear congressional authorization’ for the power it claims.” The ruling substantially limited the president’s ability to conjure up regulations to try to reduce greenhouse gas emissions.

With insufficient appetite in Congress to grant EPA the kind of regulatory authority it had claimed during the Obama Administration, attention turned to what remained of the “Build Back Better Act” – a hodgepodge of social spending measures that at the time included about \$300 billion worth of climate subsidies. Alas, as inflation continued to rise, Senator Joe Manchin indicated he could not support the climate provisions as they would likely add further inflationary pressure. This eliminated the possibility of getting the 50 votes in the Senate needed to pass the provisions via reconciliation.

In response (and apparently undeterred by the Supreme Court decision), President Biden doubled down on his go-it-alone strategy, vowing “strong executive action.” Last week, the president [announced](#) a few minor executive actions and promised more substantial ones were on the way. He called climate change an emergency, fueling speculation he may soon declare a national climate emergency. What would that look like and what would the effect be?

According to one [assessment](#), declaring climate change an emergency would allow the

president to ban oil exports, halt offshore drilling for fossil fuels, use the Defense Production Act (DPA) for green manufacturing, and direct the Federal Emergency Management Agency (FEMA) to construct renewable energy systems. Unfortunately for the president, declaring a climate emergency would not abate the climate crisis, but it would worsen inflation.

Stopping oil exports and offshore drilling would not reduce emissions in the short term and may have only mild effect in the long term. But the long term may never come. Congress could vote to end the emergency after six months without needing the president's signature, a distinct possibility if both houses change party control come January. Thus, all that would be achieved is disrupting the energy market and increasing fuel prices that have only recently started to come down.

Likewise, the DPA and FEMA actions offer no near-term reduction of greenhouse gas emissions. Instead, the increase in government spending would cause inflationary pressure and further stress already stretched supply chains.

Of course, last month's Supreme Court ruling makes it likely the current Court would be skeptical of this use of executive authority, which would certainly be challenged legally. Add in the fact that a successor president could immediately revoke these emergency authorities upon entering office and that makes these measures risky, expensive, *and* ineffective gambits.

In short, declaring a climate emergency would result in economic pain for no climate gain.

The best solution to reduce America's greenhouse gas emissions is one that aligns incentives for private actors to innovate and properly prices carbon. That policy needs to come from Congress. While one can appreciate President Biden's urgency to act, declaring a climate emergency would be an expensive mistake.