Insight

EPA's "Transport" Rule Arrives with Heavy Costs

SAM BATKINS | AUGUST 9, 2011

Yesterday EPA released its controversial "Interstate Transport of Fine Particulate Matter and Ozone [Transport Rule]." Much like the lengthy title, the massive new rule imposes huge burdens. The highlights:

- a staggering 276 pages;
- up to 3,000 lost jobs;
- 185,000 paperwork burden hours, or 21 years of compliance;
- $2.7 billion in private-sector costs.

As always, EPA loves to highlight estimated benefits, even if its claims are dubious. According to Agency figures, particulate matter pollution and low-level ozone exposure causes 1 in 20 deaths in the U.S. In response, EPA's listed benefits of the Transport Rule:

- reduce between 13,000 and 34,000 premature deaths;
- prevent 15,000 non-fatal heart attacks;
- decrease 400,000 cases of aggravated asthma.

This results in a range of $120 billion to $280 billion in annual benefits. Piling on the charm, EPA notes, "Although a stand-alone analysis of employment impacts is not included in a standard cost-benefit analysis, the current economic climate has led to heightened concerns about potential job impacts."

Heightened concerns? Strange, aren't most Americans content with 9.1 percent unemployment and 0.4 percent GDP growth? Despite EPA's perfunctory employment language, they did estimate how the rule could affect jobs in the energy industry.

EPA projects, based on two scenarios, job losses could total between 1,000 and 3,000. Conversely, employment could be entirely unaffected, or increase by 3,000. The Agency concludes, "[W]e do not have sufficient information to quantify other associated job effects associated with this rule."

EPA's 414-page Regulatory Impact Analysis (RIA) examining the 276-page rule predicts industries could "pass on $0.7 billion (2007$) of the Transport Rule's costs to U.S. households in the form of higher prices." Strangely, EPA omitted this inconvenient truth in its formal press release praising the rule.

EPA freely admits that the price of goods in the U.S. will increase, and as a result, "domestic exports decline, and domestic production is replaced to a certain degree by imports." Decreased domestic exports? Doesn't the President want to double exports by 2015? Perhaps his EPA and his appointed Administrator Lisa Jackson missed that speech. (It's tough to keep track.)

Finally, EPA's RIA again peddled the tired line that "regulation may have the potential to result in a net increase in overall employment." By that logic, the record 82,590 pages of regulation in 2010 and 49,279 pages since January 1 would have boosted U.S. employment. Instead, the civilian labor force has declined by 125,000 since January 2010.

EPA concedes this rule will have real implications for consumer prices, U.S. exports, the energy industry, and the employment picture. Yet, the Agency focuses primarily on the qualitative benefits. Noble, but this won't satisfy President Obama's goal of increasing exports, or the nation's hope of moving through our economic malaise.