



Insight

Regulations Threatening Future Growth

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We keep talking past each other about the EPA, so I think we should refocus the discussion: With 9% unemployment and 2.5% economic growth, is the pace of EPA regulation appropriate today?

Sam Batkins, Director of Regulatory Issues at the American Action Forum, keeps a [running tally](#) of the costs – in both dollars and man hours – of every piece of legislation the administration has proposed or implemented in 2011. The math isn't great: By EPA's own estimates, 2011 will cost industry \$37 billion, 6.3 million paperwork burden hours, and 60,100 jobs.

To defend their actions in the current environment, the administration and others on the left are touting a sort of “[regulatory Keynesianism](#),” in which new regulations create good, high-paying compliance jobs. Though it may be a fashionable and timely claim, the idea that the EPA is some engine of economic stimulus is utterly laughable. They can use whatever favorable assumptions they like, but each new rule is an additional cost borne by domestic industry – the very businesses we need to grow and provide jobs to 13.9 million unemployed Americans.

Well-designed, market-based environmental policies improve economic efficiency by making industry acknowledge the full societal cost of their activities with minimal compliance costs. The 1990 Clean Air Act Amendments created the Acid Rain Program, a trading program for sulfur dioxide that resulted in dramatic cuts in both emissions and instances of acid rain, while industry selectively reduced emissions at the least cost.

What we're seeing out of EPA now is a series of command-and-control regulations that make each polluter reduce emissions according to the administration's preferred, prescribed solution, regardless of cost. The regulations also carry high a burden in terms of paperwork and person hours borne both by industry and the state-based regulatory entities. This type of regulation, and the pace at which it's flying out of the EPA, is damaging to job creation in the immediate term, and handicaps our ability as a nation to spawn economic growth.

One of the more controversial pieces of pending regulation out of the EPA is their first move to regulate hydraulic fracturing, or fracking. As this technology is creating jobs and has the potential to transform the geopolitics of fossil energy, EPA is proposing stiff new VOC and methane emissions limits and reporting requirements during each of the roughly 20,000 instances of well completions annually. Interestingly, EPA has a successful voluntary program in place that has already helped the oil and gas industry reduce methane emissions by 904 billion cubic feet since 1993. Natural Gas STAR unites EPA with industry partners to identify, implement, and monitor innovative technologies and best practices, and uses the results to help educate the broader industry. Instead of expanding this successful and popular program, EPA is strong arming a vibrant and growing sector into regulations that will cost them \$738 million per year.

We're also seeing a flurry of regulation out of EPA that will impact our ability to provide electric power. In

total, nine regulations are expected to be promulgated over 18 months that will directly target coal-fired baseload power. These rules together are expected to result in the retirement of 3.5%-7% of generating capacity. During a recession, with electricity demand held low, this hit might not be too noticeable. Industry is reasonably concerned that our electric power supply will be insufficient to reliably support a recovering economy in the coming years. That's no way to provide industry with the predictability they need to invest in their businesses.

What's more, even the EPA's analysis suggests that the increase in costs to industry of these regulations will be passed on to American families in the form of higher prices. Higher prices will depress domestic exports and replace domestic production with imports. These regulations tip the balance of trade, benefit international competitors, and rob domestic industry and workers of opportunities for growth.

The EPA may be largely acting in response to court orders and legislation, and cleaner air and water is a clear benefit to the American people, but the agency needs to do a much better job of assessing what the regulatory costs really are, and whether they're worth it right now.

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