



Insight

# The Regulatory Impact of the Green New Deal

DAN BOSCH | JANUARY 28, 2019

## EXECUTIVE SUMMARY

- The Green New Deal, as proposed by the progressive group Data for Progress<sup>[1]</sup>, calls for regulatory schemes that can be classified in four types.
- These regulations would likely require at least \$1 trillion in new regulatory costs, if not much more.
- The timeline for implementing these regulations would be difficult to meet. Many of the regulations needed would have to be authorized by Congress, further casting into doubt the likelihood of swift enactment.

## INTRODUCTION

The Green New Deal has earned attention as a progressive approach to dealing with the effects of climate change. While largely nebulous, the plan generally calls for the federal government to make large investments, impose strict mandates, and establish new guarantees that proponents believe will help the United States achieve major reductions in greenhouse gas emissions while improving the economy and providing a job to everyone who wants one.

This piece examines the cost and practical implications of the regulatory needs of the Green New Deal by analyzing a proposal by the liberal group [Data for Progress](#). This version, which calls for [100 percent clean and renewable energy](#) by 2035 and zero net emissions from energy by 2050, has the most specific regulatory policy requirements of any version floated so far. The needs can be broken down into four types:

- Type I – Rules previously finalized that would need to be fully implemented
- Type II – Strengthening current efficiency, emissions, and other environmental standards
- Type III – New regulatory schemes that may be permissible under existing authorities
- Type IV – New regulatory schemes that would require congressional authorization

## COST IMPLICATIONS

### *Type I Actions*

One component of costs is easily identifiable. These are the Type I actions, which are specific rules identified in the report that were finalized by the Obama Administration and would need to be fully implemented. These rules are listed in the table below and come with estimated total costs of \$16.5 billion.

Rule	Cost (\$Billions)
<a href="#">Clean Power Plan</a>	11.9

Interior Methane	1.8
2015 Ozone NAAQS	1.4
EPA Methane	0.9
2015 Waters of the United States	0.5
<b>Total</b>	<b>16.5</b>

Of the five rules listed above, four have been targeted by the Trump Administration for repeal or reconsideration and, unless those are tossed out by courts, would need to be re-promulgated in their Obama-era form (and cost). Only the 2015 Ozone National Ambient Air Quality Standards (NAAQS) is proceeding, though it has not yet been fully implemented. A caveat to these figures: If the rules are re-promulgated with an accelerated implementation timeline (which would be needed to meet the Green New Deal’s timeframe) these costs would increase as they would require faster conversion to new technologies, equipment, and manpower.

From there, estimating costs becomes much more difficult, and in many cases, impossible.

### *Type II Actions*

The Green New Deal calls for strengthening, in some cases to the maximum extent possible, standards currently set by the federal government. One such mandate is energy efficiency standards on dozens of appliances, lighting, and equipment under the purview of the Department of Energy. An analysis of the [Draft 5-Year Appliance Standards Rulemaking Schedule](#) from January 2017 finds 79 standards due for review (indicated as “STD” under the “Type” column).

Updates adding stringency to these standards often come with significant costs. The costs of the 47 energy efficiency standards listed in the American Action Forum’s (AAF) [Reg Rodeo](#) database total \$202 billion. The costs of increased efficiency requirements are impossible to measure before specifics are applied. It is likely, however, that additional stringency will face diminishing returns – meaning that marginal improvements in efficiency will come with higher costs than previous updates.

Other Type II actions that would be needed include setting emissions standards for passenger and light-duty vehicles at net zero. Although it is impossible to calculate a reliable cost of such a standard, some context can help shed light on the enormity of the costs. In 2012, the Obama Administration issued its Corporate Average Fuel Efficiency rule, more commonly called the CAFE standards. This rule required vehicle manufacturers to reduce their fleet-average greenhouse gas emissions from 250 grams per mile (g/mi) to 163 g/mi, and did so at an estimated cost of [\\$156 billion](#). Getting from 163 g/mi to zero would be many times costlier, even before considering diminishing marginal returns. The Green New Deal calls for similar reductions for heavy-duty vehicles, although not to zero net emissions. The most recent version of these standards costs an estimated [\\$29 billion](#).

### *Type III Actions*

The third type of regulation needed to fully implement the Green New Deal involves creating new regulatory schemes that may be allowed under existing authorities. Ultimately, it would be up to courts to determine if current authorities allow for these schemes. One example is setting net-zero energy and high-performance building standards for new commercial and residential structures and retrofitting existing structures, which could fall under existing authority at the Department of Energy. Another example of this type of regulatory

scheme is requiring methane leak detection and mitigation systems, which would likely build off existing methane requirements established by the Environmental Protection Agency and the Department of the Interior. The AAF previously published [research on the costs and benefits of using regulation](#) to make deep cuts to carbon emissions, which helps provide additional context to these costs.

### *Type IV Actions*

A fourth type of regulation would more clearly need congressional action. These types of actions include establishing energy efficient resource standards for all oil and gas operations, bans on single-use plastics and non-recyclable goods and packaging, and requirements for sustainable farming and soil health practices.

### *Estimating Costs*

Developing a cost estimate of all these regulatory needs is difficult. The only estimated costs are the \$16.5 billion in Type I regulations. Implementing the Type II regulations would require drastically increasing the stringency of previously promulgated rules that cost about an estimated \$400 billion in their most recent form. The costs for even more drastic rules (Types III and IV) are incalculable from available information but are likely to be substantially greater than those in Type II.

In sum, it is hard to envision a scenario where the total costs of these regulatory needs are less than \$1 trillion, and the costs could be multiples of that amount depending on how they are structured.

## **PRACTICAL IMPLICATIONS**

There are substantial practical implications associated with the regulatory needs of the Green New Deal, as well. For starters, the plan hinges on achieving these regulatory goals within the next 11-31 years. It will be extremely difficult for agencies to develop, promulgate, and fully implement the needed regulations by 2030, let alone to do so in a manner that would not require accelerated and economically costly adoption by regulated entities.

The Clean Power Plan (CPP), for example, when issued in 2015, gave states until 2022 to begin cutting emissions and until 2030 to achieve the full cuts. The Green New Deal calls for full enforcement of the CPP. Assuming the Trump Administration is successful in its repeal of the CPP, *and* there is a change in administration resulting from the 2020 presidential election, that new administration would have to re-promulgate the CPP fully in 2021 (including required analyses, public comment periods, and subsequent litigation) and require states to begin cutting emissions the following year. In short, it would require states to do in less than one year what the Obama Administration found could realistically happen in seven years. Such an expedited timeline would surely draw a judicial challenge on the grounds that relevant agencies skirted proper administrative procedure on such a complex issue.

For regulated entities, such an expedited timeline would entail higher costs than previously estimated. For regulators, it would also require increasing its rulemaking capacity, meaning additional taxpayer-funded staff and other associated resources. That would require legislation appropriating these funds. Even these increased outlays would pale in comparison to the spending required for single-payer health care and a broad jobs guarantee – both of which have been included as components of current Green New Deal frameworks.

Finally, since many of the more ambitious regulatory needs would require congressional authorization (prior to the actual appropriations), the timeframes set by the Green New Deal would be in further doubt. Nothing less

than an exceptional level of agreement by Congress would be needed to give agencies the slightest chance of meeting some of the deadlines. To see how improbable agreement would be, consider the divisive political debate around the [Paris Climate Agreement](#). That “landmark” agreement provided for more modest cuts to emissions and provided a longer implementation period than the Green New Deal, yet proved to be highly controversial and partisan. The Green New Deal would be more so.

It is difficult to overstate how extraordinary the actions of agencies and Congress would need to be to meet the plans called for in the Green New Deal. If, somehow, those extraordinary actions occurred, regulated entities would face steep compliance challenges at remarkably high costs certain to have a negative economic impact.

## **CONCLUSION**

The Green New Deal has received a lot of attention for its grand promises. But digging in to the details of the regulations that would be required to implement such a plan reveals an unrealistic and extraordinarily expensive process (to say nothing of the non-regulatory components). It is difficult to imagine any scenario where the economic costs of regulation fail to top \$1 trillion, and they could be multiples of that amount. Further, implementing the regulations on the timeline called for by the plan would require astonishing agreement and haste from Congress, federal and state governments, and the private sector.

[1] This analysis uses the Green New Deal report produced by Data for Progress in September 2018 because it includes more specific policies. The Green New Deal has been more closely associated with the organization the Sunrise Movement.