



## Regulation Review

# EPA's Effluent Discharge Elimination

OCTOBER 6, 2015

Last week, EPA issued a [final rule](#) to limit power plant emissions of heavy metals into U.S. waterways. The measure will likely impose higher costs than benefits

, with \$471 million in burdens compared to \$432 million in benefits. The measure, which is [right on schedule](#), aims to limit toxic metals, nutrients, and other pollutants from entering

the nation's waterways.

## BREAKDOWN

- Limit 1.4 billion pounds of toxics metals and other pollutants
- Costs: \$471 million (at a seven percent discount rate)
- Benefits: \$432.5 million (average)
- Paperwork: N/A

## ANALYSIS

The [311-page rule](#) actually cut costs in half compared to the proposal (from \$954 million to \$471 million), but the annualized costs are still significant. For comparison, once official, it will be the fifth most expensive rule in 2015, on an annual basis. What's more, in virtually every scenario, costs will likely exceed benefits, despite the president's recent assurances that his administration does not approve rules with more burdens than benefits.

The rule only applies to large power plants, those with a nameplate capacity exceeding 50 megawatts, twice as large as the threshold from the "[Clean Power Plan](#)." The standard, "Best Available Technology Economically Achievable," or (BAT), is supposed to reflect the highest performance in the industry. This standard applies to existing sources.

For benefits of the measure, EPA anticipates 1.4 billion pounds of toxic metals and other pollutants won't be released into waterways. That's roughly 168 million gallons of water, meaning roughly \$2.6 in benefits for every gallon that plants do not emit. EPA also anticipates air quality and climate change benefits from the following rationale: the rule will impose costs on plants that might operate less often, lowering the dispatch rate, and lowering airborne pollutants. In other words, costs will likely shutter the operating hours of certain power plants. The health and climate benefits range from \$240 million to \$280 million annually.

EPA does anticipate that consumers will pay higher electricity bills because of the final rule. If all costs are

passed onto retail customers, the average monthly increase would be roughly 12 cents under the final rule. This is hardly earth-shattering, but it is regressive and it is in concert with half-a-dozen other rules from EPA that will also raise residential electricity prices. Bearing \$1.44 in higher yearly electricity bills might not appear to be a substantial imposition, but in perspective, those costs will likely exceed the environmental benefits.

## UNFUNDED MANDATES

Not surprisingly, this measure will impose substantial unfunded mandates on states and businesses. In bureaucratic jargon, “This action contains a federal mandate that may result in expenditures of \$100 million or more.” Since EPA provides the regulated industry, “Electric Power Generation,” (NAICS 221112), AAF apportioned the costs of the rule based on the geographic concentration in the U.S. The following states would bear the largest burdens.

<u>State</u>	<u>Possible Cost</u>
Texas	\$47 million
Louisiana	\$27 million
Pennsylvania	\$24 million
California	\$23 million
Ohio	\$21 million

## SMALL BUSINESS IMPACTS

Although EPA acknowledges 110 to 191 affected entities are considered “small,” the agency nevertheless claims the rule “will not have a significant economic impact on a substantial number of small entities.” The agency notes that only six plants will incur compliance costs that exceed one percent of operating revenue, with one entity exceeding three percent of revenue. These are substantial burdens, but EPA claims this sample is not a “substantial number” of businesses.

## CONCLUSION

EPA was on a relative hot streak last week, releasing a regulation each day of the week, including the highly-anticipated [ozone rule](#). That this rule increases costs substantially is no surprise, but it imposes more burdens than it generates in benefits, even using the agencies own math. Expensive regulation is to be expected; rules that fail to deliver net benefits for the nation should never occur.