

## Winners and Losers in the Climate Rule



(Morne de Klerk/Getty Images)



By Clare Foran

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The administration is set to formally unveil draft regulations to curb emissions from the nation's fleet of power plants on Monday, a major policy step for the president in his bid to shore up a legacy on climate change.

*The Wall Street Journal* [reported](#) on Sunday that the rule will require a 30 percent cut in carbon emissions from 2005 levels by 2030.

Ahead of the rules' release, industry backers and environmental groups have made claims about the economic consequences of the regulatory regime. The U.S. Chamber of Commerce says the rules are likely to kill jobs and drive up the cost of electricity. Natural Resources Defense Council has argued the opposite, saying the rules will spur gains in energy efficiency and create jobs.

The rules won't be finalized for at least another year, and it's impossible to predict exactly how the regulatory framework will impact the energy industry and electricity costs. What is clear, however, is that the rules will impact different sources of power generation differently.

Do the climate rules create winners and losers? What power sources stand to gain a leg up in energy markets once the regulations have been set in stone? What staples of the U.S. power supply stand to suffer? What kinds of programs and mechanisms for compliance are likely to spring up across the states in the aftermath of the regulation?

## ENERGY INSIDERS

### The Public Wins Big—And In More Ways Than One



By Richard L. Revesz

Who “wins” as a result of EPA’s proposed regulation of carbon emissions from existing power plants? Society at large. As the Regulatory Impact Analysis accompanying EPA’s proposal makes clear, the social benefits of reducing power plants’ emissions greatly outweigh the costs. EPA estimates that total compliance costs will top out at \$8.8 billion in 2030 (and that’s assuming that states choose the pricier option of solo compliance rather than entering into cost-lowering regional agreements). Nine billion may sound like a hefty price tag, but it is dwarfed by an estimated \$31 billion in climate benefits that will be generated by the rule’s carbon reductions.

Indeed, the benefits of the carbon cuts are likely even larger than EPA estimates. The federal government currently pegs the Social Cost of Carbon—that is, the economic harm associated with sea level rise, increased storm strength, and other damages wrought by carbon dioxide emissions—at around \$40 per ton emitted. However, a recent report from the Institute for Policy Integrity at NYU Law School, the Environmental Defense Fund, the Natural Resources Defense Council, and the Union of Concerned Scientists found that the government’s calculation is likely too low, because it omits a wide array of additional—and costly—climate impacts that are well established in scientific literature, such as the negative effects of ocean acidification on fisheries.

What’s more, the new rule’s benefits go beyond carbon reductions. The American public will enjoy an additional \$27 to 62 billion in “human health co-benefits” thanks to reductions in particulate matter (soot) and ground-level ozone (smog) that will accompany the nation’s shift to a cleaner and more efficient energy economy. These ancillary benefits include the prevention of between 2,800 and 6,660 premature deaths; 1,400 asthma-related emergency room visits; 310,000 lost work days, and much more.

Some might think it silly—or worse, callous—for EPA to assign a dollar value to preventing an episode of acute bronchitis or preserving a human life. But federal agencies are legally required to perform a cost-benefit analysis for almost any significant rulemaking, and a balanced evaluation of a rule’s impacts necessarily involves the monetization of benefits, both primary and ancillary, to enable an apples-to-apples comparison with the rule’s costs.

Admittedly, cost-benefit analysis is an inexact science, whatever the context. But it is also one of our best tools for answering the fundamental question that drives every regulatory review process: will this rule do more good than harm? Here, EPA’s analysis suggests that the answer is a resounding yes.

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