

Opening Statement of Gina McCarthy
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Hearing on EPA's Greenhouse Gas Regulations and Their Effect on American Jobs
Subcommittee on Energy and Power
Committee on Energy and Commerce
United States House of Representatives

Chairman Whitfield, Ranking Member Rush, and members of the Committee, thank you for inviting me to testify on this crucial subject.

As you know, EPA is starting to update its existing Clean Air Act programs in order to address greenhouse gas emissions. The Clean Air Act tools that we will be using to do so are exactly the same Clean Air Act tools that have been responsible for achieving dramatically cleaner air and important public health benefits at reasonable costs. With its 40-year history of success, the Clean Air Act continues to be one of our country's greatest bipartisan achievements.

Today EPA is releasing a study that examines the overall impacts of the Clean Air Act since 1990, and demonstrates both the Clean Air Act's tremendous public health benefits and how cleaner air strengthens the economy. In the last year alone, programs implemented pursuant to the Clean Air Act Amendments of 1990 are estimated to have reduced premature mortality risks equivalent to saving over 160,000 lives; spared Americans more than 100,000 hospital visits; prevented millions of cases of respiratory problems, including bronchitis and asthma; enhanced productivity by preventing 13 million lost workdays; and kept kids healthy and in school, avoiding 3.2 million lost school days due to respiratory illness and other diseases caused or exacerbated by air pollution.¹ This study is the third in a series of studies originally mandated by Congress in the Clean Air Act Amendments of 1990 and reviewed by independent experts.²

EPA cannot monetize all of the benefits from recent Clean Air Act regulations; to the extent we can, however, this study indicates that the Clean Air Act will provide \$2 trillion dollars in benefits in 2020 -- over \$30 in benefits for every dollar spent.³ This is a tremendous value for the American people.

That the pollution reductions achieved through the programs created by the Act have produced these results should not be surprising. However, few of the rules that gave us these huge gains in public health were uncontroversial at the time they were developed and promulgated. Most major rules have been adopted amidst claims that that they would be bad for the economy and bad for employment.

¹ USEPA (2011). *The Benefits and Costs of the Clean Air Act from 1990 to 2020*. Final Report. Prepared by the USEPA Office of Air and Radiation. February 2011. Table 5-5.

² This study received extensive review and input from the Advisory Council on Clean Air Compliance Analysis, an independent panel of distinguished economists, scientists and public health experts.

³ USEPA (2011). *The Benefits and Costs of the Clean Air Act from 1990 to 2020*. Table 7-5.

Some business groups claimed that the Clean Air Act Amendments of 1990 themselves would cost at least 200,000 and up to two million jobs.⁴

In contrast to doomsday predictions, history has shown, again and again, that we can clean up pollution, create jobs, and grow our economy all that the same time. Since 1970, air pollution has declined 63% while the economy has grown 204%.⁵ In fact, some economic analysis suggests that the economy is billions of dollars larger today than it would have been without the Clean Air Act.⁶

Peer-reviewed academic studies that have looked for large job losses as a result of environmental protection have failed to find such effects.⁷ Many of the industry-funded models that predict large job losses fail to include the jobs created through the investment in pollution reduction, pollution controls, and the benefits to public health and productivity.

When discussing overall impacts on employment, it is important not to overlook the jobs that come from building and installing pollution control equipment. The U.S. boilermaker work force grew by approximately 35 percent, or 6,700 boilermakers, between 1999 and 2001 during the installation of controls to comply with EPA's regional nitrogen oxide reduction program.⁸ Over the past seven years, the Institute for Clean Air Companies (ICAC) estimates that implementation of just one rule – the Clean Air Interstate Rule Phase 1 – resulted in 200,000 jobs in the air pollution control industry.⁹ I would like to quote a recent Wall Street Journal Op-Ed by 8 major utilities that will be affected by our regulation of greenhouse gas pollution. They said: "Contrary to claims that EPA's agenda will have negative economic consequences, our companies' experience complying with air quality regulations demonstrates that regulations can yield important economic benefits, including job creation, while maintaining reliability."¹⁰

⁴ Hahn, Robert, and Wilbur Steger (1990). *An Analysis of Jobs at Risk and Job Losses from the Proposed Clean Air Act Amendments* (Pittsburgh: CONSAD Research Corporation).

⁵ EPA, *Our Nation's Air – Status and Trends through 2008* (Feb 2010).

⁶ Dale W. Jorgenson Associates (2002a). *An Economic Analysis of the Benefits and Costs of the Clean Air Act 1970-1990. Revised Report of Results and Findings*. Prepared for EPA.⁷ Richard D. Morgenstern, William A. Pizer, and Jih-Shyang Shih . *Jobs Versus the Environment: An Industry-Level Perspective*. *Journal of Environmental Economics and Management* (May 2002) Vol. 43, no. 3 pp. 412-436.

⁷ Richard D. Morgenstern, William A. Pizer, and Jih-Shyang Shih . *Jobs Versus the Environment: An Industry-Level Perspective*. *Journal of Environmental Economics and Management* (May 2002) Vol. 43, no. 3 pp. 412-436.
Berman E. and L. Bui *Environmental regulation and labor demand: evidence from the South Coast Air Basin*. *Journal of Public Economics* (Feb 2001) Vol. 79, no. 2 pp. 265-295.

⁸ International Brotherhood of Boilermakers, *Boilermaker Labor Analysis and Installation Timing*, March 2005, EPA Docket OAR-2003-0053 (docket of the Clean Air Interstate Rule).

⁹ November 3, 2010 letter from David C. Foerter, Executive Director of the Institute of Clean Air Companies, to Senator Thomas R. Carper (http://www.icac.com/files/public/ICAC_Carper_Response_110310.pdf (accessed February 8, 2011)).

¹⁰ Peter Darbee, chairman, president and CEO, PG&E Corp.; Jack Fusco, president and CEO, Calpine Corp.; Lewis Hay, chairman and CEO, NextEra Energy, Inc.; Ralph Izzo, chairman, president and CEO, Public Service Enterprise Group, Inc.; Thomas King, president, National Grid USA; John Rowe, chairman and CEO, Exelon Corp.; Mayo Shattuck, chairman, president and CEO, Constellation Energy Group; Larry Weis, general manager, Austin Energy ,

The Clean Air Act has also contributed significantly to the creation of world class innovations in the U.S. For example, EPA vehicle emissions standards directly sparked the development and application of a huge range of automotive technologies, such as catalytic converters, unleaded gasoline, on-board computers, fuel injection systems, oxygen sensors, and on-board diagnostics. These innovations are now found throughout the global automobile market and the vehicle emissions control industry now employs approximately 65,000 Americans with domestic annual sales of \$26 billion.¹¹

Environmental technologies and services employed 1.7 million workers in 2008 and led to exports of \$44 billion of goods and services, larger than exports of sectors such as plastics and rubber products.¹² In fact, the world market for environmental goods and services is worth over \$700 billion, a size comparable to the aerospace and pharmaceutical industries.¹³ Globally, America can compete and lead in the environmental and clean energy sectors, but only if we take steps at home – as we have been doing for the past 40 years – to drive forward and deploy these technologies.

The Clean Air Act's success is built on several pillars. First and foremost, the Act is a public health statute. Second, it requires the Agency to base decisions on the best available science. Then, when directing the EPA to write rules that impose specific pollution-control obligations on sources, the Agency generally is allowed, and often required, to take costs or feasibility into account, often by defining those obligations in terms of technologies and processes that are already being used by businesses operating in the real world.

We are now starting to address greenhouse gases by applying some of the same Clean Air Act regulatory tools that we have used so successfully for decades. EPA is compelled to do so by the Clean Air Act, the Supreme Court's decision in *Massachusetts v. EPA*, and the best available science, which strongly supports EPA's finding that greenhouse gases pose a threat to public health and welfare. These tools, which require the Agency to take cost into consideration, will allow the Agency to move forward with common-sense, reasonable requirements.

In fact, Administrator Jackson has made it clear, repeatedly, that this work will follow five key principles:

- Promoting common-sense strategies that encourage investment in energy efficiency and updated technologies.
- Using similar strategies to capture multiple pollutants.

"We're OK With the EPA's New Air-Quality Regulations," Letter to the Editor, Wall Street Journal, December, 8, 2010.

¹¹ Manufacturers of Emissions Control Technology (http://www.meca.org/cs/root/organization_info/who_we_are)

¹² DOC International Trade Administration. "Environmental Technologies Industries: FY2010 Industry Assessment. [http://web.ita.doc.gov/ete/eteinfo.nsf/068f3801d047f26e85256883006ffa54/4878b7e2fc08ac6d85256883006c452c/\\$FILE/Full%20Environmental%20Industries%20Assessment%202010.pdf](http://web.ita.doc.gov/ete/eteinfo.nsf/068f3801d047f26e85256883006ffa54/4878b7e2fc08ac6d85256883006c452c/$FILE/Full%20Environmental%20Industries%20Assessment%202010.pdf)

U.S. International Trade Statistics U.S. Census Bureau (2010)

¹³ Network of Heads of the European Environment Protection Agencies. 2005. "The Contribution of Good Environmental Regulation to Competitiveness." http://www.eea.europa.eu/about-us/documents/prague_statement/prague_statement-en.pdf

- Setting clear, achievable standards while maintaining maximum flexibility on how to get there.
- Seeking input from the citizens, industry, affected entities, other stakeholders, as well as our partners in state, local and tribal governments.
- Setting the standards that make the most sense – focusing on getting the most meaningful results through the most cost-effective measures.

The first greenhouse gas rule issued under pre-existing Clean Air Act authority is already demonstrating how sensible regulation can make sense for our economy. Last April, EPA and the Department of Transportation completed harmonized standards under the Clean Air Act and the Energy Independence and Security Act to reduce greenhouse gas pollution from new cars and trucks.¹⁴ The vehicles sold in model years 2012-2016 will save us 1.85 billion barrels of oil while reducing greenhouse gas emissions by 962 million tons.¹⁵ These rules were supported by both the auto workers and the auto manufacturers, who recognize that the standards provide for certainty, drive technological innovation, and help American automakers stay competitive in a global marketplace where fuel efficiency increasingly matters. They will also save the average buyer of a 2016 model year vehicle \$3,000 over the lifetime of the vehicle, as upfront technology costs are offset by lower fuel costs.

We are building on this success with a next generation of rules for heavy duty trucks and light duty vehicles. These standards will further reduce our vulnerability to oil price shocks, reduce air pollution, and foster technological innovation that drives a world-class auto industry, all while reducing greenhouse gas emissions.

The regulatory focus on improved efficiency is not unique to motor vehicles. EPA is also focusing on energy efficiency as the method of meeting greenhouse gas permit requirements for power plants and other large industrial facilities that are building new facilities or making major modifications at existing facilities. A group of 11 power companies observed that: “EPA has proposed a reasonable approach focusing on improving the energy efficiency of new power plants and large industrial facilities.”¹⁶ This focus on energy efficiency should promote measures that reduce both emissions and long-term costs for facilities.

Finally, EPA has announced a schedule to update the Clean Air Act’s New Source Performance Standards for America’s power plants and oil refineries¹⁷ by including carbon pollution standards. EPA must take cost into account in setting these standards. I am confident that our open, transparent rulemaking process for these standards will result in the kind of flexible, nationally consistent standards under which industries have successfully operated for decades.

¹⁴ 75 Fed. Reg. 25,324, *et seq.* (May 7 2010).

¹⁵ *Id.* At 25,347 (Table I.C.2-2).

¹⁶ November 15th, 2010 statement by the Clean Energy Group Clean Air Policy Initiative. (http://www.mjbradley.com/news_20101115_00.html).

¹⁷ <http://yosemite.epa.gov/opa/admpress.nsf/d0cf6618525a9efb85257359003fb69d/d2f038e9daed78de8525780200568bec!OpenDocument>.

As I wrap up, I want to underscore that establishing these rules on schedule will give regulated firms needed certainty about their future regulatory environment. Firms will know the rules for cleaner air and can get on with the business of driving a strong economic recovery. Leadership in new technologies, combined with healthier workers and fewer negative air-related health impacts, helps lay the foundation for robust long-term economic growth and the employment that goes along with it. We should not pass up the opportunity to use the Clean Air Act to promote energy efficiency, energy security, and public health because of the same types of inaccurate claims about job losses that have been leveled at many major actions under the Clean Air Act.