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Industry Claims about the Costs of the Clean Air Act

Committee on Energy and Commerce

The Clean Air Act has been a tremendous success. Since the original Act was passed in 1970, dangerous air pollutants have been reduced by 50% or more while the economy has prospered. Lead emissions have been cut by 99%; particulate matter emissions by 83%; sulfur dioxide (SO₂) emissions by 58%; carbon monoxide emissions by 58%; and volatile organic compound (VOC) emissions by 50%. During this same period, our population has grown by over 50% and our economy by over 200%.

The last significant amendments to the Act were made in 1990. During the debate over the 1990 Amendments, industry repeatedly asserted that passage of the law would result in economic disaster, with the Clean Air Working Group, the main industry lobbying organization, asserting passage would be “quiet death for businesses across the country.” This fact sheet compares some of the claims made by industry during that debate with the actual costs of the law.

Overall Costs: When the Energy and Commerce Committee was considering the Clean Air Act Amendments of 1990, industry groups estimated that the bill would cost \$51 billion to \$91 billion a year. That is equivalent to \$83 billion to \$148 billion a year in 2009 dollars. In fact, EPA estimates that the legislation will cost only \$31 billion next year, just a fraction of what industry predicted.

Costs vs. Benefits: The costs of the Clean Air Act have been dwarfed by the benefits that cleaner air has provided. EPA estimates that for every \$1 dollar spent reducing air pollution under the 1990 Amendments, the public has received benefits worth over \$4 dollars.

SO₂ Allowance Prices: Electric utilities estimated that SO₂ allowances would cost \$1,000 to \$1,500 per ton. EPA estimated that they would cost \$750 per ton. In fact, allowance prices have been consistently below \$250 between 1990 and 2003. (Because the acid rain program was so successful, President Bush proposed reducing SO₂ emissions by an additional 70% from 2003 levels under the Clean Air Instate Rule (CAIR). Uncertainty about the status of CAIR has caused allowance prices to fluctuate since then. SO₂ allowances are currently under \$100.)

Electricity Prices: Electric utilities estimated that electricity rates would increase 10% or more in some states as a result of passage of the Clean Air Act Amendments of 1990. In fact, electricity prices fell in most states. Between 1990 and 2006, electricity prices fell by 47% in Arkansas, 32% in Georgia, 64% in Illinois, 28% in Indiana, 35% in Michigan, 30% in North Carolina, 18% in Ohio, 36% in Pennsylvania, 40% in Utah, and 36% in Virginia.

Exaggerated Claims: During the debate on the 1990 Amendments, industry repeatedly exaggerated compliance costs. For example:

- In January 1990, the DuPont Company testified that accelerating the phaseout of ozone-depleting CFCs to July 1, 1996, would cause “severe economic and social disruption.” At the same hearing, the Air-Conditioning and Refrigeration Institute testified that it was “certain” that “the large installed inventory which we depend upon in this country cannot survive. ... We will see shutdowns of refrigeration equipment in supermarkets. ... We will see shutdowns of chiller machines, which cool our large office buildings, our hotels, and hospitals.” In fact, the phaseout

of CFC production was accelerated to December 31, 1995, with industry rapidly developing alternatives and none of the severe dislocation predicted by industry taking place.

- In May 1989, Ford Motor Company testified that “we just do not have the technology to comply” with the first tier of new tailpipe standards in the 1990 Amendments, not even with technology “on the horizon.” In fact, the motor vehicle industry began making vehicles that met the new standards in 1993. In 1999, EPA issued regulations supported by the automakers to further reduce emissions by 77% to 95%.
- In October 1990, Mobil Corporation opposed the new Clean Air Act requirements for reformulated gasoline, writing that “the technology to meet these standards simply does not exist today” and predicting “major supply disruptions.” In fact, reformulated gasoline requirements went into effect without significant supply disruptions and today reformulated gasoline costs just pennies more than conventional gasoline.