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New EPA Regulations Will Harm Virginia

By Michael Thompson

4/3/2015 -- New EPA regulations expected to be made final this summer will result in higher electric bills and a loss of 38,000 jobs here in Virginia.

That's the conclusion of a new study released by the Thomas Jefferson Institute and researched by economists at the Beacon Hill Institute in Boston (See the Study [HERE](#)). Under these new EPA regulations, Virginia will be required to reduce its CO2 levels by 38 percent from 2012 levels at a cost of \$1.7 billion by 2030. As a result of the added costs, electric bills are expected to increase by 25 percent and the state would lose more than 38,000 jobs that would not be lost if the EPA regulations were not implemented in the Commonwealth.

At a time when Virginia is clawing its way out of the recession, these costs will have a devastating impact on Virginians. With a major legal challenge expected immediately after the final regulations are published – and a resultant two-year or longer court battle – the prudent course of action would be for the General Assembly to refuse to implement a state plan under the new federal regulations.

And, of course, a new President elected next year could put a halt to these and other destructive regulations which have been imposed upon our economy over the past several years. A review based on all the science available seems like a reasonable action for the next President to consider.

The rules for new plants would limit CO2 emissions to 1.1 pounds (lbs.) per kilowatt hour (kWh) of electricity production. This is less than half of the current average of 2.14 lbs. per kWh. The rule on existing coal plants would set the national goal of reducing CO2 emissions per megawatt hour of energy produced by 30% below the 2005 levels by 2030. In Virginia the goal is a reduction of 38% based on 2012 levels according to Dr. David Schnare, an environmental attorney who spent almost 30 years at EPA and now heads the Energy and Environment Legal Institute. Of course, our 2012 emissions are much less than 2005, but Virginia is targeted. Mercury emissions are also required to be dramatically reduced.

The Beacon Hill Institute used its STAMP (State Tax Analysis Modeling Program) to estimate the economic effects of the EPA rules, concluding that the CO2 emission rule on new power plants will cost Virginia \$336 million in 2030; the rule for existing plants will cost \$592 million and a mercury emissions rule will cost \$817 million – a total of more than \$1.7 billion.

The Beacon Hill/Thomas Jefferson Institute study concludes that the increased energy prices would inflict significant harm on the Virginia economy, with the state shedding 38,115 jobs by 2030. The job losses and price increases would combine to reduce real incomes as firms,

households and governments spend more of their budgets on energy and less on other goods. As a result, real disposable income would fall by \$4.451 billion by 2030 from what would be the case otherwise, and annual investment in the state would fall by \$515 million. The investment losses are partially offset by increased investment in other electricity technologies.

These EPA rules are aimed at reducing CO2 emissions by either shutting plants down or making their cost uncompetitive, and the higher electricity costs threaten the state's industrial base. Those at the lowest rungs of the economic ladder will be hurt the most since they will have no choice other than to pay their heating, cooling and electric bills. These folks will have to figure out what else they can eliminate from their already meager budgets.

And, of course, these new EPA regulations are forced upon us because of the "threat" poised by Global Warming – or Climate Change as is the new terminology. However, the miniscule improvement in the atmosphere from these anti-growth regulations will mean little as China, India, Brazil and other developing countries move their economies forward using coal as a major source of their needed energy.

Our economy will suffer. Our standard of living will suffer. Our job base will suffer. Our poorest families will suffer. America's position in the world will suffer.

Virginia policymakers need to be aware of the serious consequences that come with these EPA rules. The General Assembly should seriously consider not funding any state implementation of these new regulations until the courts have determined the legalities and a new President has decided whether such regulation are indeed required.

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Michael Thompson is currently the Chairman and President of the Thomas Jefferson Institute for Public Policy, a non-partisan Virginia focused foundation dealing with the issues of improving education, government reform, economic development and environmental stewardship. This foundation is the state's premier independent public policy foundation and has gained broad based respect from political and business leaders throughout Virginia. Mr. Thompson may be reached at mikethompson@erols.com.