

Opening Statement of Gina McCarthy
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Hearing on EPA's Greenhouse Gas Regulations and Clean Air Act Regulations:
A Focus on Texas' Economy, Energy Prices and Jobs
Houston, Texas
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.

I am pleased to be here in Houston to discuss how EPA is updating its existing Clean Air Act programs to protect public health, and doing so in common sense ways that provide businesses both the flexibility and the certainty they need to grow. That is the approach we are taking in addressing greenhouse gas emissions. That is also why we have stepped in on a limited basis to ensure that Texas industry can obtain the valid permits they need to continue to expand and provide jobs here in Texas.

Air pollution can pose a number of threats to human health. Those include asthma attacks, other bronchial disorders, nervous system and developmental problems, and in some cases cancer and death. The very young as well as the elderly are especially vulnerable.

Every citizen in every state has the right to the health protections provided by America's Clean Air Act. And that includes all Texans.

For 40 years, the nation's Clean Air Act has made steady progress in reducing the threats posed by pollution and allowing us all to breathe easier. 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; and prevented millions of cases of respiratory problems, including bronchitis and asthma.¹ They also 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.²

However, few of the emission control standards 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. This study is the third in a series of studies originally mandated by Congress in the Clean Air Act Amendments of 1990. It received extensive peer review and input from the Advisory Council on Clean Air Compliance Analysis, an independent panel of distinguished economists, scientists and public health experts.

² *Id.*

Some may find it surprising that the Clean Air Act also has been one of our country's best economic investments. In contrast to doomsday predictions, history has shown, again and again, that we can clean up pollution, create jobs, and grow our economy all at the same time. Over that same 40 years since the Act's was passed, the Gross Domestic Product of the United States grew by more than 200 percent.³ 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.⁴

It is terrifically misleading to say that enforcement of the Clean Air Act leads to overall job losses. It doesn't. Families should never have to choose between a job and healthy air. They are entitled to both.

When discussing overall impacts on employment, it is important not to overlook the new technologies and industries that can be driven by pollution control standards. For example, EPA vehicle emissions standards directly sparked the development and application of a huge range of automotive technologies that are now found throughout the global automobile market. The vehicle emissions control industry employs approximately 65,000 Americans with domestic annual sales of \$26 billion.⁵ Likewise, the environmental technologies and services industry 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.⁶ In fact, the world market for environmental goods and services is worth over \$700 billion, a size comparable to the aerospace and pharmaceutical industries.⁷ Jobs also come from building and installing pollution control equipment. For example, 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 Similar

³ Bureau of Economic Analysis, National Economic Accounts, "Table 1.1.5. Gross Domestic Product," <http://bea.gov/national/index.htm#gdp>

⁴ 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.

⁵ Manufacturers of Emissions Control Technology (http://www.meca.org/cs/root/organization_info/who_we_are)

⁶ 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)

⁷ 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

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

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effects have been recognized by the electric power industry as well. In an Op-Ed in the Wall Street Journal, eight major utilities that will be affected by our greenhouse gas pollution standards 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

The first greenhouse gas rule issued under pre-existing Clean Air Act authority demonstrates how 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 and improve fuel economy for new cars and light trucks.¹¹ 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.¹² 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 consumers money by reducing the price of gasoline at the pump and by saving 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 prices at the pump.

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, refiners 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.”¹³ This focus on energy efficiency should promote measures that reduce both emissions and long-term costs for facilities.

And make no mistake. Texas has been a part of the Clean Air Act’s success.

For example, in 2000, the number of bad air days in Houston exceeded those in Los Angeles. Today, Houston’s ozone levels have decreased so that the area is currently meeting the 1997 ozone air quality standard. This progress was the result of adopting new federal and state pollution-control regulations under the Clean Air Act, including tighter federal standards on passenger vehicle and diesel truck emissions, and vigorous enforcement cases focused on the

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

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

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

¹² *Id.* At 25,347 (Table I.C.2-2).

¹³ November 15th, 2010 statement by the Clean Energy Group Clean Air Policy Initiative. (http://www.mjbradley.com/news_20101115_00.html).

largest polluters. The state regulations were adopted for the State Implementation Plan for ozone. These regulations included an 80% reduction in nitrogen oxide emissions from Houston industry and the substantial reductions due to the Texas Emissions Reduction Program, the largest state diesel retrofit program in the country.

Unfortunately, however, some important portions of the Texas state government program have not fared as well in meeting their legal obligations. We at the U.S. Environmental Protection Agency welcome the leadership of state governments. In fact, the Clean Air Act mandates state control of certain clean-air programs, but only as long as those programs meet national clean-air standards and procedures. If they do not, under the Clean Air Act as established by Congress, EPA is required to take action.

I want to reiterate, as we have done for many months, that we have a strong preference for states implementing clean air permitting programs for sources within their boundaries. Due to the Texas state government's refusal to cooperate with EPA to address greenhouse gases in its permitting process, something on which no other state has refused to cooperate, it was necessary for EPA to step in on a limited basis to issue the greenhouse gas portion of permits to ensure that businesses can continue to grow and that steps will be taken to control harmful carbon pollution. Without EPA's action, sources could not obtain legally-required permits, projects could not go forward, and economic growth and jobs would suffer.

As Regional Administrator Al Armendariz said when EPA recently disapproved sections of the state permitting program, we did so to "improve our ability to provide the citizens of Texas with the same healthy-air protections that are provided for citizens in all other states under the Clean Air Act."

One of the important benefits of the Clean Air Act is that it ensures equal public health protection nationally. Unfortunately, the Texas state government air permitting program is not currently ensuring the same level of public health protection to its citizens that other states are providing to their citizens.

For example, the Texas program allows changes to occur at industrial facilities without any notice to the public or EPA, allows increases in actual emissions to go unchecked, and does not include sufficient monitoring and recordkeeping to ensure the enforceability of permit requirements. As President Reagan famously said, it is important to "trust but verify." The Texas state government rules have allowed some industrial sources to say "trust us" to take actions to protect public health without giving EPA, Texas or citizens the ability to verify whether any particular pollution unit is complying with the requirements of the Clean Air Act. No other state allows this. In fact, most industrial sources in Texas do not follow this approach. Fewer than 10 percent of the major air pollution sources in Texas have "flexible" permits that fail to provide EPA, Texas, and the public the ability to verify that they are meeting Clean Air Act requirements to protect public health.

Even when there is a difference of opinion about implementation of the law, we work closely with the state to resolve it, as we have here in Texas. Our office in Dallas long has consulted with the Texas government and citizens in efforts to achieve a state program that meets the

necessary obligations under our nation's clean air program. I have personally come to Texas to try to work through these problems with the State, industry, environmental groups and other stakeholders, as have other EPA officials and members of my staff.

The Agency, both at headquarters and in the region, has been raising issues with Texas since these rules were first adopted in the 1990s and is now working intensively with representatives of industrial facilities and Texas officials to fix this flaw. Four years ago, under President Bush, EPA notified the State of Texas of its concerns with the Texas air permitting program. The failure of the state government to fix these programs, as EPA requested, resulted in lawsuits by industry to force EPA to take action on these programs, which we have been doing the last two years. Our goals are to ensure that rules are in place that meet the minimum requirements of federal law, and that clean air permits are issued that are understandable to the public, enforceable by the regulators, and in compliance with the law as established by Congress.

Some try to emphasize a disagreement between the state and EPA. But it is clear that the time is now for Texas state officials and the EPA to work together to find common ground for an effective clean-air program – one that meets its legal responsibilities, protects the health of Texans, and allows for economic growth and jobs. Every Texan has that right. We pledge to keep trying to work with Texas' leaders in a spirit of partnership and not adversarial politics to achieve those goals.