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Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending
Committee on Oversight and Government Reform
U.S. House of Representatives

Hearing on the Impact on Small Businesses of Addressing Greenhouse Gas Pollution

April 6, 2011

Chairman Jordan, Ranking Member Kucinich, and Members of the Subcommittee, thank you for inviting me to testify about the impact on small businesses of the Environmental Protection Agency's steps to address greenhouse gas pollution.

I hear repeatedly from Members that their small business constituents are very concerned about EPA's regulation of greenhouse gases. When I listen to their concerns, I am struck by the fact that what they think we are doing often bears little or no relationship to what we actually are doing. I appreciate today's opportunity to set the record straight.

The Agency is taking a common-sense, phased approach to meet our obligations under the Clean Air Act to reduce carbon pollution. Our focus now is not on small sources at all, but solely on the largest polluters and, for the most part, on the sectors that are responsible for the largest share of our greenhouse gas emissions.

Perhaps the most-repeated misinformation about greenhouse gas regulation and small businesses relates to greenhouse gas air permits. Contrary to the most commonly heard claims, small sources are not now covered by the permitting program. In fact, EPA adopted regulations last year that will ensure that, for at least the next five years, small sources would not be subject to greenhouse gas permitting requirements. By phasing in the Act's greenhouse gas permitting requirements, and by exempting for at least the first five years those sources that emit less than 50,000 tons per year, the Tailoring Rule exempted most of the small businesses that otherwise would have been automatically covered by the program. Absent further rulemaking, greenhouse gas emissions will trigger the obligation to get a preconstruction permit only for new construction of, or a major modification at, large facilities with the potential to emit more than 100,000 tons of greenhouse gases a year – the equivalent of burning the amount of coal it would take to fill almost 500 railroad cars. Although some small businesses say they are worried that the exemption will be overturned in court, we believe that the Agency has legal authority to issue the Tailoring Rule and that it rests on sound and well-established legal doctrines.

I also understand that some of your constituents are concerned about what has been called a "cow tax". This is nothing but an urban legend migrated to the countryside. I want to assure you that the Agency has no intention or desire to impose taxes on cows, pigs, chickens or any other livestock.

Small businesses also express concerns about indirect costs of greenhouse gas standards. In sharp contrast to this concern, the only greenhouse gas standard EPA has issued under its existing Clean Air Act authority will result in savings for small businesses and other consumers. Last year, EPA acted under the Clean Air Act to issue greenhouse gas emissions standards for cars and light trucks of model years 2012 through 2016. By ensuring that new vehicles are more fuel efficient, the EPA standards will save American drivers money at the pump while reducing America's oil consumption by 1.8 billion barrels. We estimate that the average American purchasing one of these vehicles will have a net savings of $3,000 over the lifetime of the car or light truck.

Last fall, EPA proposed to issue greenhouse gas emissions standards under the Clean Air Act for medium and heavy-duty trucks for model years 2014 through 2018. These standards, in particular, would save American businesses money on fuel expenses, and would reduce national oil consumption by 500 million barrels. We estimate that an operator of a semi truck could pay for the technology upgrades in under a year, and have net savings up to $74,000 over the truck's useful life. Those savings are especially important to small businesses, because fuel costs hit them even harder than they hit large firms.

United Auto Workers President Bob King summed up the overall picture well when he said, "This is a pretty simple equation: new technologies required by such standards bring additional content on each vehicle, and that requires more engineers, more managers, and more construction and production workers. Meanwhile, we achieve greater oil independence for our nation and a cleaner, healthier environment for ourselves and our children." [1]

We also routinely hear concerns about incredible estimated increases in gas prices and electricity rates as a result of Clean Air Act greenhouse gas standards. None of the estimates that we have seen are based on analysis of our programs. They are all based on studies, many of them severely flawed, of various economy-wide cap-and-trade programs that bear no relationship to the standards we have adopted or have under consideration. Our current greenhouse gas programs (greenhouse gas motor vehicle standards and PSD permitting) focus on making cars, power plants, refineries and industrial facilities more efficient; increased energy efficiency should help reduce costs for all Americans, including American small businesses.

In 2008, Congress ordered EPA to establish a nationwide system for reporting greenhouse gas emissions. When the Agency established that system, we made a point of exempting, from <u>all</u> of the reporting requirements, any facility that annually emits less than 25,000 metric tons of greenhouse gases. That is the amount of carbon dioxide released from burning the coal it would take to fill more than 130 railroad cars. EPA worked to minimize the number of small businesses covered by the program and to keep reporting costs low for those small businesses that are covered. This rule does not impose any limitations on greenhouse gas emissions. Instead, it will simply provide better information to the public on the levels of greenhouse gases emitted from the nation's largest sources.

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[1] http://www.bluegreenalliance.org/press_room/press_releases?id=0135

Finally, EPA has announced a schedule for using notice-and-comment rulemaking to establish greenhouse gas performance standards for fossil fuel-fired power plants and oil refineries. Together, those sectors are responsible for nearly 70 percent of the nation's greenhouse gas pollution from the industrial sector. Again, our focus is on the largest emitters, not small sources. EPA will comply with all applicable requirements of the Regulatory Flexibility Act as amended by the Small Business Regulatory Enforcement Fairness Act.

EPA has announced that it will conduct a SBREFA panel for the greenhouse gas NSPS for fossil fuel-fired power plants. Although the Regulatory Flexibility Act only requires EPA to solicit input from small entity representatives during the Panel Process, the Agency intends to send them informational material on the rule and potential options, provide them with a background briefing, and hold two outreach meetings. In fact, the first outreach meeting on this standard is scheduled for Wednesday, April 6.

What I just described is the reality for small businesses where EPA's steps to address greenhouse gas pollution are concerned, steps that are in keeping with EPA's common-sense approach to implementing the Clean Air Act. It is no surprise that what we are hearing reflects misinformation about our greenhouse gas actions. As Administrator Jackson said when celebrating the 40 years of the Clean Air Act, "Today's forecasts of economic doom are nearly identical – almost word for word – to the doomsday predictions of the last 40 years. This "broken-record" continues despite the fact that history has proven the doomsayers wrong again and again."[2]

In the 1970s, it was stated that by using the Clean Air Act to phase in catalytic converters for new cars and trucks, "entire industries might collapse."[3] Instead, the requirement gave birth to a global market for catalytic converters and enthroned American manufacturers at the pinnacle of that market. The catalytic converter and the unleaded gasoline required to maintain have, of course, resulted in massive reductions in pollution from automobiles, and have provided correspondingly large public health benefits.

In the 1980s, people claimed that the proposed Clean Air Act Amendments would cause "a quiet death for businesses across the country."[4] Instead, the US economy grew by 64 percent even as the implementation of Clean Air Act Amendments cut Acid Rain pollution in half.

Yet again, in the 1990s, we were told that using the Clean Air Act to phase out the chemicals depleting the Ozone Layer would create "severe economic and social disruption."[5] People were worried that phasing out the use of CFCs in aerosol cans would mean they would have to give up their hairspray or deodorant. A refrigeration industry representative testified that

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[2] http://yosemite.epa.gov/opa/admpress.nsf/12a744ff56dbff8585257590004750b6/7769a6b1f0a5bc9a8525779e005ade13!OpenDocument

[3] *World News Digest*, Facts On File News Services, May 19, 1971, quoting the Chamber of Commerce.

[4] Alexandra Allen, "Blow Away the Foul-Air Lobby," *The New York Times*, June 11, 1988, page 31.

[5] http://energycommerce.house.gov/Press_111/20090616/dc_industryjobs.pdf.

"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."[6] In reality, the phase out was accomplished without such disruptions. New technology cut costs while improving productivity and quality. The phase-out happened five years faster and cost 30 percent less than predicted. According to an international team of scientists, "Substantial recovery from the depletion of global and polar ozone caused by ozone-depleting substances is expected in the later decades of this century. The recovery follows on the success of the Montreal Protocol in reducing the global production and consumption of ozone-depleting substances."[7]

EPA is using the same Clean Air Act tools that we have been using for the last 40 years to protect public health to now address greenhouse gas emissions. These Clean Air Act tools have proven their worth over the years in improved public health, economic and job growth, and technological innovation. In 2020, Clean Air Act programs adopted since 1990 will provide $2 trillion in benefits – over thirty dollars in benefits for every dollar spent.[8] In just the last year, these programs 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.[9]

I will close with a statement by the Small Business Majority and the Main Street Alliance. They write that any step to "delay or limit [EPA's] ability to regulate greenhouse gas emissions and other pollution ... has negative implications for many businesses, large and small, that have enacted new practices to reduce their carbon footprint as part of their new business models. It would also hamper the growth of the clean energy sector of the economy – a sector that a majority of small business owners view as essential to their ability to compete."[10]

Thank you, Mr. Chairman. I look forward to your questions.

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[6] http://www.epa.gov/ocirpage/hearings/testimony/106_1999_2000/101499rp.htm

[7] http://ozone.unep.org/Assessment_Panels/SAP/Scientific_Assessment_2010/SAP-2010-FAQs-update.pdf. Fahey, D.W., and M.I. Hegglin, *Twenty Questions and Answers About the Ozone Layer: 2010 Update*, Scientific Assessment of Ozone Depletion: 2010, 72 pp., World Meteorological Organization, Geneva, Switzerland, 2011.

[8] 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 7-5.

[9] Id. Table 5-5.

[10] http://www.smallbusinessmajority.org/energy/index_national_economic.php.