Spreading Confusion and Misinformation on Carbon Regulation

The coal industry and its allies in the electric generating industry are pushing back against EPA’s proposals to regulate the carbon pollution from coal-fired electric generators. A coordinated campaign is flooding the media with supposedly “independent” editorial comments parroting familiar but false economic claims. Let’s look at some of the more outrageous of these economic assertions.

We are told that electric prices will be driven sky high, damaging all households and businesses. The U.S. Department of Energy is said to have confirmed a projected 13 percent increase in electric prices by 2020. Wrong. In dollars of constant purchasing power, DOE is projecting that electric prices will creep up a whopping total of 3 percent between 2011 and 2020 if there is an accelerated retirement of coal-fired electric generators.¹

We are told that our energy independence is being threatened by restricting carbon pollution from the burning of coal. The Department of Energy projections show just the opposite: A steady decline in reliance on importing energy. In 2008 we were importing about 30 percent of our energy consumption.² DOE projects that that will decline to about 5 percent by 2025 even with an accelerated retirement of coal-fired generators.³ We are on our way to becoming almost completely energy independent due to increased production of oil and natural gas, not coal. Of course, the very people

¹ AEO 2014, Accelerated Coal Retirement Case. The Chamber’s number includes the estimated general rate of inflation across the entire economy.
² Annual Energy Outlook 2014 Early Release Overview, Figure 10, p. 13.
³ By 2040, the nation’s energy imports as a percentage of total energy consumption would be slightly lower if there were not accelerated retirements of coal-fired generators, 4 percent instead of 6 percent. Annual Energy Outlook 2014.
opposing regulation of carbon pollution also support boosting our exports of energy, driving American energy prices upwards and increasing our energy dependence.

We are told that coal is our “cheapest and most efficient source of energy.” That assertion, besides ignoring health and safety concerns with pollution from coal-fired generators, focuses solely on fuel costs, conveniently ignoring the huge capital costs required to convert coal into electricity. Simply burning coal does not generate anything useful. The coal combustion has to be contained in a boiler and the steam from it carefully moved through a turbine to generate electricity. Over a decade ago, long before EPA was talking about controlling carbon pollution, electric utility executives were already moving away from coal as a fuel to produce electricity because the cost of building coal-fired generators was so high compared to the cost of building natural gas fueled electric generators. When natural gas prices also tumbled downward, the economics were overwhelming. Coal could not compete. The coal industry and its allies should be pointing their fingers at markets and supply and demand rather than once again trotting out Uncle Sam as the perennial evil straw man.

We are also told that EPA’s regulation of carbon pollution from electric generators destroys all incentives for coal developers and electric utilities to design an effective means of capturing and storing carbon emissions. Apparently, the theory is that if there were no EPA regulation of carbon pollution, coal developers and electric companies would work hard to invest and innovate so as to reduce or eliminate that carbon pollution. Say what? If there were no restrictions on carbon emissions why would anyone invest in controlling them? That is not how we reduced sulfur, particulate, and mercury emissions from coal-fired plants. We did not wish those reductions into existence and wait for electric generators to hear our whispers. We imposed limits and
our business community found ways of meeting those community environmental standards while remaining profitable.

We are told that the effort to reduce the carbon pollution coming from American power plants will contribute nothing to overall levels of carbon emissions around the world because our carbon emissions are a relatively small part of total worldwide emissions. In addition, we can expect that the rest of the world will continue to dump more and more carbon into the atmosphere because they, like us, have to in order to live a decent life. So, we are told, we are shooting ourselves in the economic foot, if not the heart, for nothing.

That is the well-known mantra of the committed free-rider. As the President has made clear, the point of the United States doing something serious now about carbon pollution is so that we can speak with at least a tiny bit of moral authority to other nations of the world about collective doing something about our collective carbon emissions that threaten all of us. If we all chant the free-rider mantra and do nothing, then, of course, nothing will be done, and we can all loudly blame each other as the collective pot of water we all share is slowly brought to a boil.

As hard-nosed game theory has repeatedly shown, the way to avoid the free-ride catastrophe is to "be nice, retaliate, but don’t bear grudges.” That is, we have to demonstrate ahead of time our willingness to cooperate at some risk of cost to ourselves. That is how human beings lay the basis for cooperation and moral progress. Laying back, looking only at our own advantage, and waiting to exploit the good will or weakness of others is a dead end. That frame of mine would undermine plain ordinary commerce as well as a livable world.