

ONE HUNDRED TWELFTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
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November 10, 2011

The Honorable Fred Upton  
Chairman  
Energy and Commerce Committee  
U.S. House of Representatives  
2125 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Ed Whitfield  
Chairman  
Subcommittee on Energy and Power  
U.S. House of Representatives  
2125 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Upton and Chairman Whitfield:

We are writing to request a hearing on new analysis by some of the leading economists in the nation that finds that the economic costs of pollution from coal-fired and oil-fired power plants and other sources exceed the economic value these sources add to the economy.

The new analysis, entitled *Environmental Accounting for Pollution in the United States Economy*, was authored by prominent academic economists from Yale University and Middlebury College.<sup>1</sup> It uses data from a variety of sources to put a price on the environmental damage from industrial pollution and compares those costs to the value added to the economy by the industrial activity. As a proxy for environmental damage, the study uses only the costs of air pollution from the activities, which understates the full costs of environmental damage. The study estimates that aggregate pollution damages each year total \$184 billion.

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<sup>1</sup> Nicholas Z. Muller, Robert Mendelsohn, and William Nordhaus, *Environmental Accounting for Pollution in the United States Economy*, *American Economic Review* (August 2011) (online at <http://www.aeaweb.org/articles.php?doi=10.1257/aer.101.5.1649>).

This study finds that a number of sectors of the economy are causing air pollution damage that exceeds the economic value produced, in particular coal- and oil-fired power plants, solid waste incinerators, and stone quarrying, among others.<sup>2</sup> The largest of these is coal-fired electric generation, with environmental damages up to 5.6 times the economic value added by the sector.<sup>3</sup>

According to these economists, the fact that the economic costs of these industries exceed their benefits does not mean they need to be shut down. If the pollution from these sources can be reduced, which is what the Environmental Protection Agency is trying to do, the health and environmental costs that these industries impose on American families would shrink, and the cost-benefit analysis could change. What the study does signal is that stronger environmental regulations are urgently needed to reverse the net negative contribution to national output that these industries produce.

The relevance of this new information to the activities of the Energy and Commerce Committee should be obvious. Instead of strengthening our national wellbeing by reducing pollution from these industrial sources, our Committee has been doing the exact opposite. We have reported – and the House has passed – a series of bills that loosen environmental regulations for many of the industrial sectors identified in the study. For example, H.R. 2401 would relax requirements to reduce particulate matter, NOx, SO2, mercury, and other toxic air pollutants from coal-fired power plants. And H.R. 2250 and 2681 would prevent EPA from reducing toxic air pollution from industrial boilers and from cement kilns – two of the largest sources of airborne mercury in the United States.

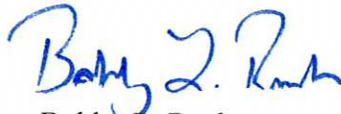
We urge you to hold a hearing on this important new research to help inform members about the severe economic consequences of the legislation our Committee has reported.

Thank you for your attention to this matter.

Sincerely,



Henry A. Waxman  
Ranking Member



Bobby L. Rush  
Ranking Member  
Subcommittee on Energy and Power

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<sup>2</sup> *Id.*

<sup>3</sup> *Id.*