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Subject: icymi: CAP analysis disproves big oil's claims about economic effects of ozone standard

This study from 2011 ozone standard is still useful to rebut big oil claims about econ cost of improved standard. Dan Weiss

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Big oil claims that there will be economic disruption under the newly proposed more protective ozone smog health standard. It made the same claims in 1997 when the standard was last improved. A Center for American Progress analysis examined the GDP per capita and unemployment rates in the counties that were newly in nonattainment after the 1997 standard took effect, and compared them to the nation at large. There was no discernible difference. This CAP analysis is below. Please feel free to cite it. Best, Dan Weiss

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<https://www.americanprogress.org/issues/green/news/2011/08/18/10076/big-oils-smoggy-notions-proved-false-again/>

Big Oil's Smoggy Notions Proved False (Again...)

CAP Analysis Disproves Claims About the Economic
Effects of Strengthened Ozone Protections

P6/b(6)



SOURCE: AP/Nick Ut

Smog, ozone at ground level, covers downtown Los Angeles. Even at low levels, smog can aggravate asthma, increase susceptibility to respiratory illnesses, and cause lung damage with repeated exposure.

By **Daniel J. Weiss**, **Arpita Bhattacharyya**, and Raj Salhotra | August 18, 2011

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[Download the graphs comparing the 54 individual MSAs to the national economy \(xls\)](#)

The White House is completing its interagency review of **[the Environmental Protection Agency's updated ground-level ozone standard](#)** to protect public health. This will be **[the first improvement in the standard](#)**, which sets a protective, health-based limit to ozone levels in the air we breathe, since 1997. By law the new standard must reflect the latest science, which includes a better understanding of the impact that ozone has on the lungs and hearts of children, seniors, those suffering from respiratory ailments, and healthy adults as

well.

Some of the companies required to reduce their pollution have made exaggerated claims about the alleged economic impact of these new public health protections, as with nearly every public health safeguard EPA has issued over the past 40 years. The pending ozone standard is no exception, with Big Oil leading the charge against it by claiming the new protections would wreak economic havoc. Similar claims were made when the 1997 health standards were set. **This Center for American Progress analysis of economic data found that industries' predictions about the economic impact of the 1997 ozone standard did not occur.** This suggests that their recent, similar attacks on the pending ozone standard also lack credibility.

CAP evaluated the economic growth and employment rates metropolitan areas experienced after they were put into “nonattainment” (or violation) for the first time due to the 1997 standard. Our analysis determined that contrary to industries' predictions, **the areas with smog levels exceeding the health standards for the first time experienced very similar economic growth to the nation as a whole. Employment rates were very similar to the national rate.**

Average GDP per capita in the metropolitan areas in nonattainment grew by .07 percent from 2004-2008, while it grew by .87 percent nationwide—less than a 1 percent difference. Unemployment in those areas grew by 2.21 percent from 2004-2008, while unemployment nationwide grew by 2.3 percent. In other words, unemployment grew by slightly more across the nation than in the 54 areas affected by the 1997 ozone standard. This data makes it clear that the economic attacks on the 1997 ozone standard by Big Oil, the Chamber of Commerce, the National Association of Manufacturers, and the Business Roundtable were undeniably false.

Smog is a silent killer

Ground-level ozone, commonly known as smog, is formed when a harmful [mix of pollutants](#) including volatile organic compounds such as benzene and nitrogen oxides, combine in the presence of sunlight. Even at low levels, smog can [aggravate asthma, increase susceptibility to respiratory illnesses, and cause lung damage with repeated exposure](#). Children, seniors, and those with asthma or other respiratory ailments are [particularly vulnerable](#) to smog's effects. Smog levels are the worst on extremely hot days.

The [Air Quality Index](#) is an “index for reporting daily air quality. It tells you how clean or polluted your air is.” The measurements, taken at local air quality monitors, correspond to one of six color-coded categories. Code Orange days have air pollution levels that are

“unhealthy for sensitive groups” such as children, seniors, and those suffering from respiratory ailments. They should stay indoors on these days. Code Red days have air pollution levels that are unhealthy for all populations, including normal healthy adults. Everyone should avoid the outdoors on Code Red days.

The heat has been so extreme this year that half the days this summer (June-August) were designated Code Red somewhere in the United States. There has been a Code Orange every day this summer somewhere. California, for example, had 18 Code Red days and 63 Code Orange days so far. Texas had 8 Code Red days and 19 Code Orange days, and Virginia 3 Code Red days and 22 Code Orange days. A recent [Natural Resources Defense Council](#) analysis also reports there have been 2,012 Code Orange days in 252 cities, suburbs, and national parks from January 1, 2011 through August 8, 2011.

Modernizing the smog health standard based on best science

Protecting people from ozone has been a central mission of the Clean Air Act since its passage in 1970. EPA established its first smog standard [in 1971](#) to protect people from dirty air. The standard was strengthened in 1997 based on the latest science to 84 parts per billion as measured over an eight-hour period.

The Clean Air Scientific Advisory committee, made up of [scientists and medical professionals](#), recommended in 2008 that the standard again be strengthened based on recent scientific and health research. In a letter to then-EPA administrator Stephen Johnson, they wrote:

“The CASAC [Clean Air Scientific Advisory Committee] — as the Agency’s statutorily-established science advisory committee for advising you on the national ambient air quality standards — *unanimously recommended* decreasing the primary standard to within the range of 0.060–0.070 ppm.” (Emphasis original)

The Bush administration rejected the CASAC recommendation and instead proposed a less protective standard. Recently, Sen. Tom Carper (D-DE) asked [EPA Administrator Lisa Jackson](#) about the Bush proposal. She responded that the proposed Bush standards “were not legally defensible given the scientific evidence in the record for the rulemaking, the requirements of the Clean Air Act and the recommendation of the CASAC.”

Administrator Jackson resumed the process of setting a modern health standard that reflected the best science. [In July EPA sent its proposal](#) to the White House Office of Management and Budget where it is undergoing interagency review. Recently, [14 medical groups](#), including the American Academy of Pediatrics, the American Association of Cardiovascular and Pulmonary Rehabilitation, and the American College of Preventive Medicine also recently urged President Barack Obama to update the standard:

“To safeguard the health of the American people, help to save lives, and reduce health care spending, we support the most protective standard under consideration: 60 parts per billion (ppb) averaged over eight hours.”

The medical groups noted that setting a new ozone standard would save 12,000 lives per year and also cited multiple studies showing that ozone can kill people.

A more protective smog standard also has the overwhelming support of Americans, according to a [bipartisan poll](#) sponsored by the American Lung Association. Most respondents also believe that [updating the smog standard would help the economy](#).

“And by a 20-point margin (including a 14-point margin in Ohio and Florida), voters believe that updated EPA smog standards will boost, rather than harm, job creation by encouraging innovation and investment in new technologies.”

Big Oil and allies sing same sad song

While the administration debates whether to provide more protection for Americans from smog, industry and business groups are pressuring the White House to reject EPA’s proposal by using the same arguments today as they did 14 years ago when the EPA proposed the current standard. Big Oil, coal, utility and other companies, along with the lobbyists at the Chamber of Commerce, Business Roundtable, and other pressure groups have all launched efforts to block more protective health standards. These and other industry groups decry the EPA’s push to strengthen the smog standard, claiming that it will drastically hurt the economy and lead to job losses.

Let’s take a look at the claims that industry is making now about the updated, science-based ozone standard, and what they said the last time EPA updated the health standard in the late 1990s. Then we will review the CAP analysis, which found that economic growth and employment was generally unaffected after implementation of the 1997 standards, despite industries’ fevered predictions.

It’s the same old song

1997 and 2011 business and industry group claims on impacts of ozone health standard

Lobby group	1997 claims	2011 claims
American Petroleum Institute	API’s 1996 study that concluded “It is clear that implementation of a one-exceedance form of either a 0.08 or 0.09 ppm eight-hour ozone standard will have significant socio-economic impacts on U.S. society.” Comment to the EPA, March 12,	“Fewer businesses would invest in new projects, all of which would mean fewer new jobs,” said Khary Cauthen, American Petroleum Institute’s director of federal relations . “It’s pretty simple, it’s purely discretionary and it sits on the

	<p>1997 A-95-58-IV-D-2233 (link unavailable) “EPA has rushed to judgment a rulemaking that is unjustified on a scientific basis and is so far-reaching in its potential impact on every sector of the economy and every level of government that adequate time for review to consider the wisdom of taking such an action is of the utmost importance.”</p>	<p>president’s desk,” said American Petroleum Institute President Jack Gerard. “He now has the choice: jobs or no jobs, it’s up to him.”</p>
Business Roundtable	<p>Supporters of protection from air pollution for children, seniors, and asthmatics “won’t be satisfied until we’re in horses and buggies and have no industries in our state.”Spokesperson for Gov. John Engler (R-MI).</p>	<p>“If a company cannot meet the requirements, then it must either shelve its plans and the jobs the plans would create, or move to another part of the country where it will be in compliance,” said John Engler, former Michigan governor and now president of the Business Roundtable.</p>
Chamber of Commerce	<p>“Many of the new ‘nonattainment areas’ have no experience in dealing with such stringent regulations, thus many businesses will move to ‘cleaner’ districts or relocate to other states.” The California Chamber of Commerce.</p>	<p>“These new out-of-cycle EPA standards create tremendous uncertainty and threaten business investment decisions and hiring decisions... when the private sector is burdened with unnecessary regulations, businesses can’t invest and hire,” said Bruce Josten, the Chamber’s executive vice president for Government Affairs.</p>
National Association of Manufacturers	<p>The proposed standards would restrict “using one’s fireplace and using a power mower to shooting off fireworks and enjoying backyard barbecues on the Fourth of July.”President of the National Association of Manufacturers. Comment to the EPA, December 30, 1996. Growth rates for cities may not be sustainable if manufacturing jobs and other small</p>	<p>“By moving forward with raising the standards on ozone levels, the EPA is only adding economic turmoil to the nation’s struggling job market.” “The proposed ozone standard could result in millions of lost jobs costs.” National Association of Manufacturers, or (NAM) President and CEO Jay Timmons.</p>

business jobs are not created.

John Engler, former Michigan governor and now president of the Business Roundtable claims that “If a company cannot meet the requirements, then it must either shelve its plans and the jobs the plans would create, or move to another part of the country where it will be in compliance.”

This is a less colorful statement about the pending standard than Gov. Engler’s spokesman made in 1996 about the pending standard. He falsely claimed that supporters of protection from air pollution for children, seniors, and asthmatics “won’t be satisfied until we’re in horses and buggies and have no industries in our state.”

The American Petroleum Institute—Big Oil’s lobbying muscle—also predicts doom and gloom if the administration adopts the updated standard. “The ozone benefits are illusory, greatly inflated and would be dwarfed by the costs. The standards may not be achievable and, worse, could destroy millions of American jobs,” said API Director of Regulatory and Scientific Affairs Howard Feldman. “It’s hard to imagine something that would harm our economy more than these standards.” In other words, Big Oil believes that the ozone rule would harm the economy *more* than defaulting on our debt, another financial crisis like 2008, or the Great Recession that began that fall.

These complaints echo API’s economic concerns in 1997. It commented to EPA on the proposed 1997 rule that “EPA has rushed to judgment a rulemaking that is unjustified on a scientific basis and is so far-reaching in its potential impact on every sector of the economy and every level of government that adequate time for review to consider the wisdom of taking such an action is of the utmost importance.”

Jay Timmons, president and CEO of the National Association of Manufacturers, joined the industry chorus who believe that economic devastation is imminent if EPA adopts the 2011 proposal. “By moving forward with raising the standard on ozone levels, the EPA is only adding economic turmoil to the nation’s struggling job market. The proposed ozone standard could result in millions of lost jobs.”

Back in 1997, the president of the National Association of Manufacturers ridiculously predicted even more drastic outcomes. He claimed that the proposed standard would restrict “using one’s fireplace and using a power mower to shooting off fireworks and enjoying back-yard barbecues on the Fourth of July.”

No predictions of rage and ruin are complete without the Chamber of Commerce adding its voice. This July, Bruce Josten, the Chamber of Commerce’s executive vice president for Government Affairs said “These new out-of-cycle EPA standards create tremendous uncertainty and threaten business investment decisions and hiring decisions... when the

private sector is burdened with unnecessary regulations, businesses can't invest and hire." This prediction is similar to the California Chamber of Commerce's concerns from 1997, which asserted that "Many of the new 'nonattainment areas' have no experience in dealing with such stringent regulations, thus many businesses will move to 'cleaner' districts or relocate to other states." [1]

CAP analysis of economy, jobs data finds 1997 predictions false

These fears were completely unfounded. CAP examined the economic growth and employment that occurred in the metropolitan areas that were designated as "nonattainment" because they had air pollution levels that exceeded the 1997 ozone standard. (Due to legal challenges by industry, and delays by the Bush administration, these areas were not designated until 2004.) We reviewed the Bureau of Labor Statistics data on the 54 areas that were in nonattainment for the first time under the new 1997 standard, since most of the current complaints focus on areas that will be designated in nonattainment for the first time after the issuance of the new, more protective standard.

The Clean Air Act requires the EPA to designate areas as either attaining or not attaining the federal air health standard for ozone. When an area is designated in nonattainment, state and local governments have three years to draft and submit a state implementation plan, or SIP, to the EPA explaining how they will reduce the pollution emissions that make up ground-level ozone. The development of the state plan must include engagement with the public and is generally a mix of control devices, monitoring, modeling, emission inventories, and other policies.

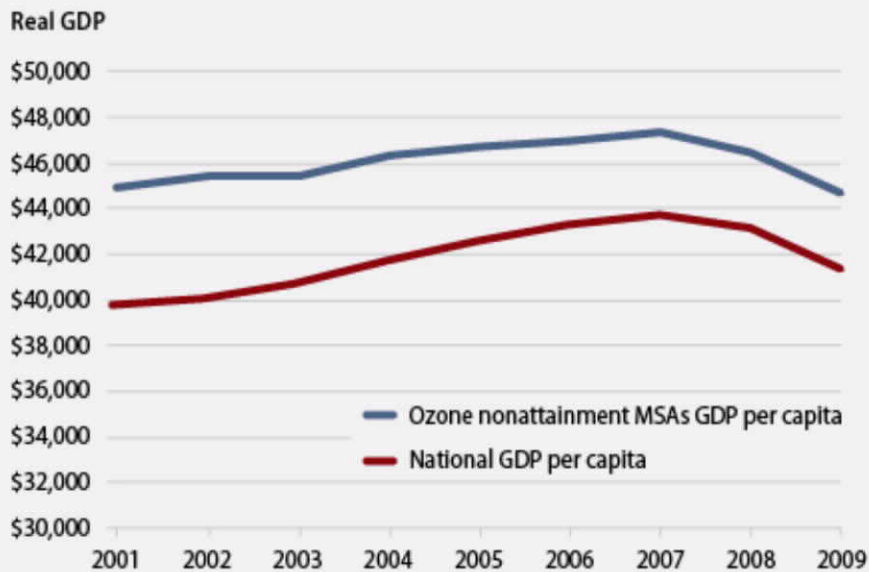
Metropolitan areas that do not reduce their pollution enough to meet the health standard may have to further reduce emissions from existing sources, lose funding for transportation projects, and ultimately have EPA, and not the state, in charge of meeting the health standard.

The analysis examined real GDP per capita of the metropolitan statistical areas, or MSAs, with counties designated as nonattainment in 2004 (when the 1997 standard went into effect) and found that while some showed higher or lower GDP growth, overall GDP growth in these MSAs followed the nationwide economic trend, although these areas had larger average per capita GDP to begin with.

A number of new nonattainment areas experienced greater or similar economic growth as the nation did from 2004-2007, including Charlotte, Denver, Las Vegas, Louisville, Phoenix, Raleigh, and San Diego. Meanwhile, areas in states that were suffering from an overall economic decline—such as Michigan and Ohio—generally grew more slowly than the overall economy.

Economic growth and the ozone standard

Average GDP per capita in areas affected by the 1997 ozone standard vs. GDP per capita nationally, in 2005 dollars



Note: Nonattainment in MSAs designated in 2004.

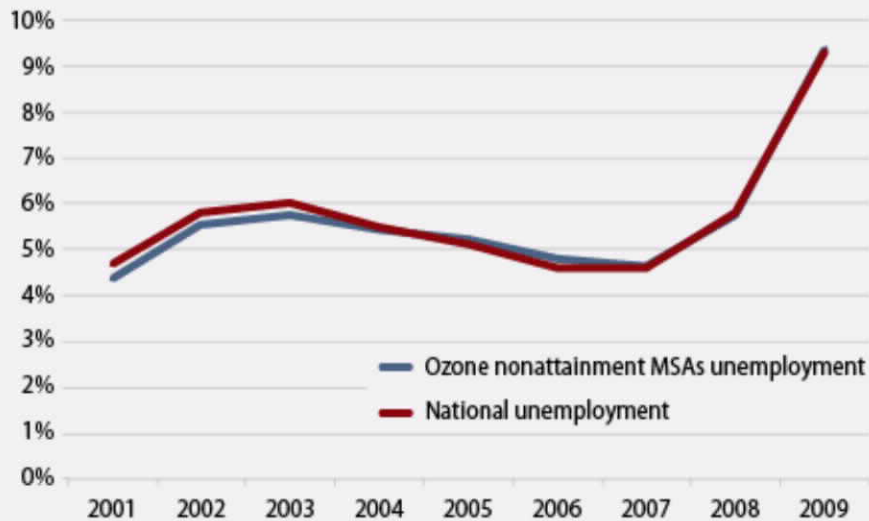
Source: U.S. Census Bureau, University of Chicago, Bureau of Economic Analysis.

Evaluation of a combined average unemployment rate in these places found that it tracked very closely with national unemployment rate. There do not appear to be significant job losses beyond anything that the economy was already suffering from. This data puts to rest the false claim [Rep. Fred Upton \(R-MI\)](#) made in 1997 that the new standard would “wreak havoc on economic growth, jobs, and even personal lifestyles.”

Employment and the ozone standard

Average combined unemployment in areas affected by the 1997 ozone standard vs. unemployment nationally

Annual unemployment rate



Note: Nonattainment in MSAs designated in 2004.
Source: Bureau of Labor Statistics.

(The graphs comparing the individual MSAs to the national economy can be found [here](#).)

Don't confuse us with the facts

Despite the extremely limited economic impact of the 1997 ozone standard improvement, industry and business groups are again up in arms about the potential economic impact on areas that will be affected by a more protective standard. While any impediment to growth in the current economic climate should be a real concern, the aforementioned data shows that the fear of drastic economic harm due to a stronger standard is unwarranted.

Strengthening the ozone standard in 1997 did not lead to the economic devastation that industry and business groups predicted yet the same groups are making the same arguments in the lead up to the decision on EPA's current proposal for a stronger standard.

Eight senators led by Sen. Sheldon Whitehouse (D-RI) publicly provided a fact check on Big Oil and allies' disinformation campaign. They wrote [President Obama](#) countering the economic claims of the industry and business groups.

"(P)olluters are ignoring 40 years of data demonstrating that clean air investments are good for public health and the economy. In fact, gross domestic product has increased 210 percent since the Clean Air Act was passed in 1970, while at the same time we have reduced air pollution by more than 60 percent.

"Further, the Clean Air Act has created jobs, spurred a multi-billion dollar trade surplus in

environmental technology for American businesses, and provided enormous public health benefits relative to investment in pollution control technology.”

The administration is expected to finalize the smog standard very soon. Industry and business groups will undoubtedly continue their strong opposition to protecting the health of millions of Americans on the grounds that it will hurt the economy. Installing new scrubbers and controls will cost money, but will also create jobs. After the establishment of previous safeguards, industry has found ways to meet them much more cheaply than their rhetoric predicted.

History shows that the new ozone health standard is unlikely to have much negative economic impact, but will save thousands of lives and billions of dollars in lower health care costs. The Obama administration must ignore the tired, disproven pleadings of big oil and other special interests, and instead set an ozone health standard based on the science to provide additional protection to all Americans.

Sources and methodology

Our analysis used the EPA Greenbook Data to determine the counties and corresponding 54 Metropolitan Statistical Areas, or MSAs, that were newly designated in nonattainment of the eight-hour ozone standard in 2004, which is when the 1997 standard finally took effect. The average real GDP per capita of all nonattainment MSAs was calculated by totaling real GDP of all the MSAs in nonattainment using data from the Bureau of Economic Analysis and dividing by the total population of all the MSAs using data from the U.S. Census Bureau. National real GDP per capita came from University of Chicago's Economics Department.

Unemployment data for the MSAs come from the Bureau of Labor Statistics. Average unemployment was calculated by totaling the number of unemployed in all the nonattainment MSAs and dividing by the total number in the labor force. National unemployment rates are also from the Bureau of Labor Statistics.

Thanks to Valeri Vasquez, Special Assistant for Energy Policy, and interns Brennan Alvarez, Ciera Crawley, and Ben Smithgall for their help with this analysis.

Endnote

[1] Brief Amicus Curiae of Pacific Legal Foundation and California Chamber of Commerce in Support of Cross Petitioners American Trucking Associations, Inc., et al.