

Ozone Facts:

The Hidden Costs that EPA Refuses to Count

EPA is working overtime to spin out new red tape, in the form of lower standards for Ozone, that will cost the U.S. economy [\\$140 billion annually](#). That is equivalent to the annual [GDP of the state of Nevada, which includes revenue generated by tourist mecca Las Vegas!](#)

While EPA's effort to impose this regulation was delayed by the [President in 2011](#) because of economic concerns (and some say the 2012 elections), the agency has now aggressively moved forward on what has been dubbed by many to be the "Most Expensive Regulation in History." The final regulation is expected this Fall. While nothing has changed on the issue of costs to the economy, which was the basis of the Administration's last action to put off the proposal, it now appears the White House has signed off on the EPA's destructive rulemaking.

The EPA boldly claims that the burden of this regulation won't impact small business. A claim that ignores economic reality, and the broad effects of reduced economic growth and opportunity. Moreover, EPA has declined to investigate the negative health consequences of reduced economic opportunity. Both errors are glaring and should be corrected before EPA finalizes the rule.

1 Ozone and Small Business

Small business advocates predict, and have heard from business owners, that a lower ozone standard will lead to [significant economic harm](#). [Advocates point out](#) that small business in particular will be hard pressed to deal with "modeling" and "offset" analysis to determine whether they are a "major stationary source," and how they may be penalized if that is the case. Moreover, small businesses in non-attainment areas will have a difficult time expanding and competing for "offsets," [which will be expensive, and potentially non-existent](#).

The National Federation of Independent Businesses (NFIB) points out that rather than investing to grow, small businesses would be forced to invest in [new compliance equipment](#).

Yet EPA has [publically guaranteed](#) that the "most expensive regulation in history" will not impact small business.

[The Regulatory Flexibility Act](#) requires agencies to determine a rule's economic impact on small entities. If an agency does not believe that their regulatory action will have a significant impact on a substantial number of small businesses, it must certify that fact in the proposed rulemaking. Incredulously, EPA certified this when they published their proposed rule in December 2014.

They are dead wrong.

The agency's logic is that the burden from the regulation will only be an "indirect" one on small businesses; therefore they have no more duty to lessen its effects on small businesses. The EPA's ignorance or unwillingness to acknowledge small business impact is truly shocking.

Despite EPA's hollow certification of "no impact," the costs of the proposed EPA ozone regulations promise to be massive for small businesses, and for the [overall economy](#). Accordingly, EPA's claim that their proposed ozone standard will not impact small business is all smoke and mirrors.

EPA: "After considering the economic impacts of this final rule on small entities, I certify that this action will not have a significant economic impact on a substantial number of small entities. This final rule will not impose any requirements on small entities. Rather, this rule establishes national standards for allowable concentrations of O3 in ambient air as required by section 109 of the CAA."

2 Health Cost of Lost GDP

There are many that question the EPA's underlying work suggesting that the health benefits of the proposed rule outweigh its vast [cost](#). Moreover, the agency is ignoring the increased health risk that accompanies, or is aggravated by, the decline in economic welfare.

Cass Sunstein, President Obama's former regulatory Czar, has pointed to research that "suggests that lives can indeed be lost through required regulatory expenditures, and that at a minimum there is reason for [government to take the problem seriously](#)."

Sunstein is referring to a rich body of economic research called the "health-health analysis," which has demonstrated that substantial decreases in wealth via costly regulation cause negative health outcomes. It is irresponsible for the EPA to ignore this facet of the proposed rule's cost. If the agency truly wants to save and improve lives, they would factor such analysis into their cost estimates before a final regulation is issued.

Sunstein is joined by several prominent researchers, including Randy Lutter, a Visiting Scholar at Resources for the Future, [who similarly opined](#) that, "By diverting resources that could have been used for more worthwhile expenditures, many of which are related to individual health, these wasteful government programs have a deleterious effect on health status." According to Kyle Steenland, a professor with the Emory Department of Environmental and Occupational Health, lowering income resulted in "trends of increasing mortality," [particularly among the most economically disadvantaged](#).

For example, a [drop in income](#) is known to lead to psychological stress, which worsens health by adversely affecting endocrine and immunological processes. Moreover research shows that potentially damaging habits - including smoking, drinking, obesity, and substance abuse occur more frequently when incomes fall. The Ozone rule is expected to cut real wages by about 0.6%, and labor income is projected to decline by about 0.9%, [resulting in the loss of 1.4 million jobs](#). And yet EPA has made no attempt to calculate how lower incomes and higher unemployment caused by their Ozone regulation will impose a deleterious impact on communities across the US.

Congressman Gary Palmer pointed out the obvious flaws in EPA's logic during a June 4, 2015 Committee hearing on Ozone NAAQS, when he posed the following question to an advocate of stricter standards, "Is it possible, in your mind, just rationally thinking this through, that the additional regulations that are being imposed on businesses, that are going to result in substantial job losses, that's going to result in less disposable household income, that would result in lower incomes, could have a more negative effect on health and well-being of people than any positive effect that additional regulations would impose considering the improvements that we've made already?"

Witness: I'll have to concede to the others, I don't do air quality consulting, I'm not involved—

PALMER: My question is, do the people who work for the businesses of the United States and earn income do better in terms of health and well-being than people who have no income and no job?

Witness: Yes sir, they do.

The proposed Ozone Rule will have severe consequences for our economy, yet the EPA appears to have deliberately avoided assessing how the regulation will impact small businesses across America. Moreover, an analysis of the regulation needs to look at how lower incomes (resulting from higher costs to consumers and lower worker wages) could lead to negative health outcomes -- especially among the most economically disadvantaged. The EPA must fully consider these impacts before finalizing its regulations, the most costly in history, which will impose harmful outcomes for our economy and the nation's health.