

# ISSUE BRIEF

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## EPA Administrator Nominee Gina McCarthy: In Her Own Words

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In announcing his nominee for the next Environmental Protection Agency (EPA) administrator, President Obama said Gina McCarthy “has focused on practical, cost-effective ways to keep our air clean and our economy growing. She’s earned a reputation as a straight shooter. She welcomes different points of views.”<sup>1</sup>

The EPA needs to take an entirely different direction, and if Gina McCarthy’s previous statements on critical energy and environmental issues are any indication, that direction is going to be more gloom and doom for the economy with very little to show for it.

### **On Regulations and Job Creation.**

When discussing overall impacts on employment, it is important not to overlook the new technologies and industries that can be driven by pollution control standards. For example, EPA vehicle emissions standards directly sparked the development and application of a huge range of automotive technologies that are now found throughout the global automobile market.<sup>2</sup>

Proponents of more stringent regulations often argue that because companies will have to build new

plants, or existing power plants will have to install scrubbers or other technologies to comply with stricter rules, the costs of new regulations are less than the benefits of new jobs created to help companies be compliant. But this is as rational as purposefully breaking windows for the sake of creating more jobs for window makers and repairmen.

The money businesses spend on complying with these onerous regulations could be spent more productively, such as hiring new employees, investing in a new building, or making cost-cutting technological investments. This is innovation driven by consumer preferences and entrepreneurial spirit, not forced by regulation. While regulation does create some jobs, the net effect of the EPA’s regulation is job and income losses, and constrained innovation by companies to meet consumer desires.

### **Regulation at Any Cost?**

There is no threshold level of fine particle pollution below which health risk reductions are not achieved by reduced exposure.<sup>3</sup>

A zero-tolerance approach to environmental regulation is a scary one and completely ignores the concept of diminishing marginal returns, where more stringent regulations yield increasingly smaller environmental benefits but come at extremely high costs. We have seen dramatic improvements in air quality in the United States because of environmental regulations and technological innovations occurring naturally in the marketplace. However, tightening standards for criterion pollutants have outweighed the benefits in the past, and new regulations impose diminishing marginal returns almost

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to a vanishing point, but the costs to businesses and families will be extremely high. Every additional dollar spent would yield inconsequential or even adverse health benefits as the money spent misallocates resources away from real health threats.

Further, it is extremely difficult to determine the direct causality between more stringent environmental regulations and improved health benefits. The EPA routinely relies upon speculative and poorly constructed computer models to justify its rulemaking.<sup>4</sup>

### **On Energy Efficiency.**

These motor vehicle regulations are a great success story for this country. They will save consumers and small businesses money; they will lower the cost of transporting goods; they will reduce our dependence on foreign oil; and they will help protect the environment.<sup>5</sup>

When the EPA calculates the benefits of efficiency standards, the overwhelming majority of those benefits come from projected monetary energy savings for consumers. This means the more stringent regulations are more about changing the way consumers behave than reducing pollution. But the reality is that families and businesses place a high value on saving money. When the savings outweigh costs and other preferences, families and businesses will make those investments and the reward will be reduced energy bills and more competitive prices for their products.

The federal government is wrongly placing energy savings above other preferences individuals may have, such as a safer or more powerful car. Individuals may want a washing machine that finishes a cycle in 45 minutes as opposed to 90 minutes. And they may have to make difficult choices on a tight budget. Economic models have a difficult time capturing those preferences and it should be the onus of producers to meet consumers' demand. Government mandates restrict that process.

### **On Hydraulic Fracturing.**

Because these [EPA air emissions] regulations rely on technologies and practices that are already in use by some companies and required by some states, they are practical, flexible, affordable and achievable. Natural gas is key to our clean energy future.<sup>6</sup>

If use of these technologies and practices is already growing among users, why is a federal regulation necessary? The EPA and Department of Interior's proposed regulations of fracking will weigh down one of the most productive sectors of the American economy with rules that duplicate what states are already doing to manage fracking.

The EPA's rule miserably fails the cost-benefit test; the agency's own analysis projects \$745 million in annual costs and just \$11 million to \$19 million in environmental benefits.<sup>7</sup> And the costs in time and money will be for an imperceptible environmental

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1. Barack Obama, "Remarks by the President in Personnel Announcements," remarks, White House, Washington, DC, March 4, 2013, <http://www.whitehouse.gov/photos-and-video/video/2013/03/04/president-obama-makes-personnel-announcement#transcript> (accessed April 4, 2013).
  2. Gina McCarthy, "A Focus on Texas' Economy, Energy Prices and Jobs," testimony before the Subcommittee on Energy and Power, Committee on Energy and Commerce, U.S. House of Representatives, [http://www.epa.gov/region6/6xa/pdf/clean\\_air\\_testimony\\_032411.pdf](http://www.epa.gov/region6/6xa/pdf/clean_air_testimony_032411.pdf) (accessed April 8, 2013).
  3. Kathleen Hartnett White, "The EPA's Flawed Zero Tolerance Policy," Texas Public Policy Foundation, July 12, 2012, <http://www.texaspolicy.com/center/energy-environment/opinions/epa%E2%80%99s-flawed-zero-tolerance-policy> (accessed April 5, 2013).
  4. Diane Katz, "Coming Clean on Regulatory Costs and Benefits," Heritage Foundation *WebMemo* No. 3177, March 3, 2011, <http://www.heritage.org/research/reports/2011/03/coming-clean-on-regulatory-costs-and-benefits>.
  5. Gina McCarthy, "Running on Empty: How the Obama Administration's Green Energy Gamble Will Impact Small Businesses and Consumers," testimony before the Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending, Committee on Oversight and Government Reform, U.S. House of Representatives, October 12, 2011, <http://www.gpo.gov/fdsys/pkg/CHRG-112hrg71980/html/CHRG-112hrg71980.htm> (accessed April 5, 2013).
  6. John Broder, "U.S. Caps Emissions in Drilling for Fuel," *The New York Times*, April 18, 2012, <http://www.nytimes.com/2012/04/19/science/earth/epa-caps-emissions-at-gas-and-oil-wells.html> (accessed April 5, 2013).
  7. Nicolas Loris, "Hydraulic Fracturing: Critical for Energy Production, Jobs, and Economic Growth," Heritage Foundation *Backgrounder* No. 2714, August 28, 2012, <http://www.heritage.org/research/reports/2012/08/hydraulic-fracturing-critical-for-energy-production-jobs-and-economic-growth?ac=1>.

impact. States can do a better job responding quickly to changes in technology and the unique needs of their communities. This kind of leadership simply is not possible from Washington.

### **On CO<sub>2</sub> Emissions.**

Greenhouse gas pollution, through its contribution to global climate change, presents a significant threat to Americans' health and to the environment upon which our economy and security depends.<sup>8</sup>

Carbon dioxide does not have the characteristics of a conventional pollutant, but is a colorless, odorless, non-toxic gas on which all life depends. Yet the EPA has regulated it as harmful to human health. Even if one contends that carbon emissions contribute significantly to global warming, the EPA's carbon reduction policies have almost no effect on the earth's temperature or overall global emissions, a truth affirmed by former administrator Lisa Jackson.<sup>9</sup> But there is a direct connection between environmental health and economic health—precisely what overregulation stunts.

### **On the Role of the EPA.**

But I will tell you that I didn't go to Washington to sit around and wait for Congressional action. Never done that before, and don't plan to in the future.<sup>10</sup>

This activist mentality is not appropriate for an agency administrator. The EPA's regulatory

overreach to micromanage the economy is bold. The EPA has surpassed every other agency in abusing legal authority: 2009–2012 the EPA has issued 1,824 new regulations (by comparison, the Department of Energy wrote 83 regulations in the same period). Using the EPA's conservative estimations, the 20 “major regulations” will cost over \$7 billion in one-time initial compliance and \$44.86 billion in annual direct compliance costs.<sup>11</sup>

Even within existing regulations, the EPA holds Americans' elected representatives in contempt when it interprets the law in a way that gives the EPA authority to regulate such things as mudflats and prairie potholes and even water itself as a pollutant. This is counterproductive to any real environmental improvement.

**The EPA Is Broken and Needs Fixing.** At a time when the EPA needs change, McCarthy seems to offer more of the same activist approach and micro-management from Washington. Energy pursuits and environmental health are not mutually exclusive. Individuals, community groups, and states have been managing and accomplishing both for decades as we learn more and technology advances. Four more years of a regulatory attack on the American economy with no substantial improvement to our environmental well-being will have devastating economic effects well after President Obama leaves office.

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8. Gina McCarthy, “The American Energy Initiative: A Focus on EPA's Greenhouse Gas Regulations,” testimony before the Subcommittee on Energy and Power, Committee on Energy and Commerce, U.S. House of Representatives, June 29, 2012, <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/Hearings/EP/20120629/HHRG-112-IF03-WState-McCarthyR-20120629.pdf> (accessed April 5, 2013).
  9. Nicolas Loris, “EPA Admits Cap-and-Trade Won't Work,” The Heritage Foundation, *The Foundry*, July 8, 2009, <http://blog.heritage.org/2009/07/08/epa-admits-cap-and-trade-won%E2%80%99t-work/>.
  10. Joe Schoffstall, “Obama's EPA Nominee Vowed Not ‘To Sit Around and Wait for Congressional Action,’” CNS News, March 4, 2013, <http://cnsnews.com/blog/joe-schoffstall/obamas-epa-nominee-vowed-not-sit-around-and-wait-congressional-action> (accessed April 5, 2013).
  11. Major regulations are those which are expected to cost \$100 million or more. The Heritage Foundation, “Red Tape Rising” (forthcoming). For a similar previous study, see James Gattuso and Diane Katz, “Red Tape Rising: Obama-Era Regulation at the Three-Year Mark,” Heritage Foundation *Backgrounder* No. 2663, March 13, 2012, <http://www.heritage.org/research/reports/2012/03/red-tape-rising-obama-era-regulation-at-the-three-year-mark>.
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