Peace Dividend: The Benefits of Ending the War on Fossil Fuels

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What is the potential of American energy?
Energy: The Key Building Block of Civilization
What did we hear during the Obama years?

• Fossil fuels are evil
• Emit carbon dioxide
• Contribute to anthropogenic global warming
What solutions were proposed?

- Cap & Trade
- Clean Power Plan
- The Paris Agreement
What is the economic impact of these policies?
Clean Power Plan – Economic Impact

• Instituting carbon capture regulations by 2035 …
  – Average employment shortfall of over 80,000 lost jobs
  – Loss of income of more than $10,000 for a family of four
  – Up to 5% increase in household electricity expenditures
  – Aggregate $1 trillion loss in GDP
  – Less than 0.2 degree C impact of temperature mitigation and 2 cm of sea level rise reduction
Paris Agreement – Economic Impact

• Instituting carbon capture regulations, by 2035 …
  – Average employment shortfall of over 600,000 lost jobs
  – Loss of income of more than $20,000 for a family of four
  – Up to 20% increase in household electricity expenditures
  – Aggregate $2.5 trillion loss in GDP
  – Less than 0.2 degree C impact of temperature mitigation and 2 cm of sea level rise reduction
What is all this poorly designed policy premised under?
The Social Cost of Carbon …
What is the Social Cost of Carbon?

• Based on research in climate economics

• Proposed as basis for regulatory policy by the Obama Administration’s Interagency Working Group (IWG)

• Defined as “the economic damages per metric ton of carbon dioxide emissions”
So how does one actually estimate the SCC?

- General question – What is the long term economic impact of carbon dioxide emissions summed over a particular time horizon?
- Three statistical models (IAMs)
  - DICE model
  - FUND model
  - PAGE model
- Series of equations modeling economic growth and climate response computed using Monte Carlo analysis
As with any statistical model ...

• These models are grounded by assumptions
  – Discount rate
  – Equilibrium climate sensitivity
  – Time horizon
How accurate are forecasts?
What does altering the assumptions made by the Obama administration do?

• Ran two of the three models …
• SCC can drop by 40-200%
• Can even be negative at times, under very reasonable assumptions
  – Policy implication
So how did the American people respond to this nonsense?
What if we ended the war on fossil fuels?

- America has vast energy abundance

- Models tell us carbon dioxide emissions, in reasonable quantities, aren’t necessarily a bad thing

- Might actually be a good thing!
How much oil do we have here in the States?

So can we quantify these impacts?

What exactly would the benefits look like?
Overall Employment

CHART 2
Unleashing America’s Oil and Gas: Overall Employment

EMPLOYMENT DIFFERENTIAL, BY YEAR, IN THOUSANDS

Family Income

Unleashing America’s Oil and Gas: Family Income

Personal income differential for family of four, by year, in inflation-adjusted dollars.

Source: Heritage Foundation calculations using the Heritage Energy Model. See methodology for details.
Electricity Prices

Unleashing America’s Oil and Gas: Household Electricity Costs

TYPICAL HOUSEHOLD ELECTRICITY EXPENDITURES DIFFERENTIAL, BY YEAR

Taking Advantage of our Vast Oil and Gas Supply – Economic Impact

- At Heritage, we found that by 2035 taking advantage of these resources would result in …
  - Average employment gain of nearly 700,000 jobs
  - Increase in over $40,000 for a family of four
  - Up to 10% reduction in household electricity expenditures
  - Aggregate $3.7 trillion increase in GDP
  - Less than 0.003 degree C change of temperature increase and 0.02 cm of sea level rise increase
So who benefits from this?

• Short term
• Long term
So what does this tell us?

- More jobs, more income, and a healthier economy
Policy Implications

• Open access to federal waters and lands
• Allow states to regulate fracking
• Enable states to manage energy development
Was President Trump Right?

• Ending Climate Action plan?
  – Save $30 billion over seven years?
  – Would actually save $290 billion!

• Ending Obama-era spending on global warming
  – Save $100 billion in eight years?
  – Would actually save $1.3 trillion!
Ending the War on Fossil Fuels?

• Just over the next eight years
  – Over 900,000 more jobs
  – Add $1.9 trillion of increased GDP to the economy
  – Marked reduction in electricity prices
  – Negligible changes on the climate and sea levels
So what is the potential of American energy?
Thank you!

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