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My name is Steve Everley, and I serve as Team Lead for Energy In Depth, a research and education program of the Independent Petroleum Association of America. IPAA represents the oil and natural gas companies that drill 95 percent of all new wells in the United States, with an average company size of fewer than 20 employees.

America's independent oil and natural gas producers will be significantly impacted by EPA's proposal to reduce the National Ambient Air Quality Standard for ozone from 75 parts per billion to between 65 and 70 ppb. Although I do not speak for IPAA in an official capacity, I should note that IPAA believes EPA should retain the current standard of 75 ppb.

EPA's proposed ozone rule is based upon the health benefits of lower ozone levels. But a review of EPA's data suggests that the Agency may have significantly inflated the value of those benefits.

I will briefly describe some of the flaws in EPA's assessment, but a more complete analysis can be found on our website, www.EnergyInDepth.org.

In 2011, the EPA proposed reducing the ozone standard from 75 to 70 ppb. The Agency's Regulatory Impact Assessment found that the net benefits of a 65 ppb standard were essentially zero, even when including "co-benefits" and an "optimistic technological trajectory" to achieve compliance.

But EPA now claims a 65 ppb standard yields net benefits as high as \$23 billion. That's a 3,100 percent increase from what the EPA said the exact same standard would deliver just three years earlier.

The EPA claims to have reviewed "more than 1,000 new studies published since EPA last revised the standards in 2008."

But Energy In Depth reviewed EPA's Health Risk and Exposure Assessment for Ozone and found that nearly 70 percent of the references cited were published prior to 2011.

In other words, most of the studies that EPA used to claim billions of dollars in net benefits were available when EPA determined that the exact same ozone standard would deliver *no* net benefits.

Interestingly, as Dr. Michael Honeycutt with the Texas Commission on Environmental Quality noted last year, some of EPA's data show a reduction in the ozone standard could actually result in *higher* mortality rates. For example, EPA's data show that reducing the ozone standard to 65 ppb would result in 44 more premature deaths in the city of Houston alone.

These examples suggest, at the very least, that EPA's analysis of the data is flawed, raising questions about EPA's justification for a lower ozone standard.

Of course, the proposed rule also raises significant economic concerns.

In 2011, EPA admitted that four of the five largest metropolitan areas in the country – home to 50 million Americans – would not be able to achieve a 75 ppb standard by 2020. Parts of Southern California won't be in compliance with even an 84 ppb standard by the middle of the next decade.

Since the health benefits cited by EPA require that compliance be achieved, it's difficult to see how those benefits will ever materialize.

Last summer, NERA Economic Consulting released a study that examined the costs of a 60 ppb ozone standard, which is the low-end on which EPA is accepting comments. NERA concluded that it would reduce U.S. GDP by \$4.5 trillion through 2040, destroy over four million jobs, and increase household costs by over \$2,000 per year.

The primary reason for these impacts is because EPA's ozone rule will raise costs for America's energy industry, which has been one of the few bright spots in an otherwise sluggish economy. For example:

- Cheap natural gas has spurred over \$100 billion in announced manufacturing investments in the United States.

- Last year, the world's largest chemical company – BASF – announced that it would make its largest ever single facility investment here in Texas.
- American oil and natural gas production has slashed the trade deficit, and net petroleum imports are at their lowest level since 1987.
- By some estimates, the United States is now the world's largest oil and natural gas producer.
- Last but not least, jobs in the oil and natural gas industry have been a godsend to many working families, with salaries that are roughly double the national average.

But NERA's study concluded that a lower ozone standard would significantly restrict U.S. oil and natural gas production, which would "crush the manufacturing comeback by removing our nation's energy advantage."

EPA's ozone rule could very well be the costliest regulation in U.S. history. If a rule of this magnitude is to be imposed, then the EPA should consider providing a far more scientifically robust "public health" basis -- one that doesn't rely on inflated health benefits or a lack of appreciation for the very real economic costs.

Thank you for your time.