

The Hidden, \$120 Billion Cost of America's Energy Mix

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By Keith Johnson

Energy and climate-change legislation winding through Congress might make economic sense even if you don't believe for a second in climate change.

That's one reading of the [new study](#) released by the National Research Council, "Hidden Costs of Energy: Unpriced Consequences of Energy Production and Use."

Congress commissioned the report during the preparation of the 2005 Energy Act to get a handle on what energy really costs—not how much we pay for it. That includes the "health, environmental, security, and infrastructural external costs and benefits associated with the production and consumption of energy."

The upshot? America's current energy mix carries a "hidden cost" of about \$120 billion a year, the report found. And that number doesn't include any tally for the cost of greenhouse-gas emissions or climate change—estimates for climate costs range from \$1 to \$100 a ton of carbon dioxide emissions, but are so variable the report didn't quantify them. The figure also doesn't include other hidden costs, such as the portion of the U.S. military expenditure needed to protect global oil production and transport.

The \$120 billion figure boils down to coal and cars. Transport costs the country \$56 billion. Coal-fired electricity costs the country \$62 billion per year, largely in health impacts from particulate matter. Natural gas for power generation, in contrast, adds about \$740 million a year in hidden costs.

Looked at another way, coal's hidden pricetag adds up to 3.2 cents per kilowatt hour. Compare that to the 2 cents-per-kilowatt hour that wind power gets from the government—that's less a subsidy than a partial attempt to level the playing field.

The report doesn't offer any policy prescriptions—but does note that Washington could shave that annual bill: "Major initiatives to further reduce other emissions, improve energy efficiency, or shift to a cleaner electricity-generating mix (e.g., renewables, natural gas, nuclear) could substantially reduce external effects' damages, including those from grid-dependent hybrid and electric vehicles."

Now, the Congressional Budget Office figures one of those "major initiatives," the Waxman-Markey bill in the House, would trim between 0.2% and 0.7% off America's gross domestic product in 2020.

It's hard to know exactly what the GDP will be ten years from now; but in current terms, that works out to between \$28 billion and \$98 billion a year—substantially less than the cost of just the pollution-related effects of the current energy system.

Granted, Waxman-Markey (or the Kerry-Boxer bill) wouldn't change the energy mix in one fell swoop—which means it wouldn't get entirely rid of that \$120 billion surcharge. But adding in the costs of climate change, energy security or national security would only make the economic argument more compelling.