

Op-Ed The carbon taxes we're already paying



The Environmental Protection Agency has an estimated price for the effects of greenhouse gases: It's called the "social costs of carbon," and is put at \$38 per ton of emissions. (Illustration by Wes Bausmith / Los Angeles Time)

By **MARK SCHAPIRO**

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In June, a decades-long open secret hit the media like a typhoon: Climate change is the fundamental economic challenge of our time.

The bipartisan troika of former New York Mayor Michael Bloomberg, hedge fund mogul Tom Steyer and former Treasury Secretary Henry Paulson funded the report, titled "Risky Business," which estimated that on its current trajectory, climate change could cost the U.S. economy hundreds of billions of dollars by 2050. President Obama cautioned environmental leaders at a League of Conservation Voters dinner to prepare the American public for the costs ahead from re-engineering the energy grid away from fossil fuels.

These assertions, as welcome as they are, leave out a fundamental question: When energy gets more expensive, who pays?

The fact is that American taxpayers are paying for the costs of climate change now. These costs don't hit us all at once but sporadically, in different places and at different times. They don't feel like a carbon tax, though they amount to one. Every time we use fossil fuels, we increase our tax burden, a burden that unfolds like a sequence of trap doors, just like climate change itself.

The costs of recovering from climate-change signposts like Superstorm Sandy, Hurricane Katrina and major drought are well documented. What's less known are the costs — the trap doors — that have normally been accounted for in some ledger other than atmospheric chaos.

Start with food: Farmers have always faced good years and bad years, but as bad years get more frequent, taxpayers pick up more and more of the tab. When the Government Accountability Office issued its biannual audit of the government's highest financial risks last year, for the first time since the list was launched in 1990 climate change was identified as a major financial threat, specifically because of the government's flood and crop insurance programs.

Crop insurance is now one of the nation's biggest and riskiest financial bulwarks against the effect of climate change on farmers, who are struggling to adapt as growing conditions shift beneath their feet. Federally subsidized payouts have skyrocketed from \$4.3 billion in 2010 to \$10.8 billion in 2011 and to \$17.3 billion in 2012, the year of the Midwest drought.

Demand is way up for protection against lack of water and flooding, two counterintuitive cousins from the disrupted climate. These phenomena have direct costs too: The USDA estimates that the 2012 drought led to a 20% jump in meat prices. Globally, the price of cereals has doubled since 2000, according to the U.N. Food and Agriculture Organization, due significantly to stresses on global water supplies.

Then there's the acidification of the oceans (which absorb an estimated 2.5 billion tons of CO₂ every year) and rising sea levels (from melting ice packs and glaciers), which lead to consequences as diverse as declining yields of shellfish to massive expenditures to shore up the dual coasts of the United States. Meanwhile, warmer seawater contributes to the volatility of weather systems — on and on go the trap doors.

A team of scientists tells us in the peer-reviewed journal *Health Affairs* that over the first nine years of this century, six "climate-related" events (floods, hurricanes, infectious disease outbreaks) led to 760,000 encounters with the healthcare system amounting to as much as \$14 billion in health costs.

This year, the Centers for Disease Control and Prevention requested \$8 million for its Climate and Health Program, which helps educate state and local officials on the coming health threats from the warming climate.

That figure is dwarfed by millions more spent by the CDC and other research institutions to study the expanding universe of bacteria and diseases affecting humans, plants and animals and moving with the heat — for example, mosquito-borne West Nile virus or valley fever, caused by a fungus carried in dry winds that are one feature of drought, which is showing up in places like Washington state, far from the arid fields of the American Southwest and northern Mexico where it once was limited.

The Environmental Protection Agency has an estimated price for the effects of greenhouse gases: It's called the "social cost of carbon," and is put at \$38 per ton of emissions. This figure, devised to enable the EPA to economically justify its regulation of greenhouse gases, is based on a more limited list of factors than other nations. Britain and France calculate higher costs and include such factors as climate-forced migration and public health consequences for animals and people.

However inadequate, the EPA's social cost of carbon is revealing. Do the math: The United States emitted 6.5 billion tons of greenhouse gases last year; at \$38 a ton, the amount of money gets large very quickly.

All of these are known as externalized costs — costs borne by anyone other than those who created them. That means us, the public. In the prices and taxes we pay, we have been shouldering costs that fossil fuel companies are not even compelled to recognize on their balance sheets. Climate risks are barely a figment on most companies' reports to investors, because companies are under no obligation to report them.

The costs are hidden, but they're hiding in plain sight. The world's 3,000 biggest companies, according to a U.N. Environment Program report, cause \$2.15 trillion in annual environmental costs, most of which are not accounted for in their profit/loss statements.

So in many ways the argument over a carbon tax is already settled. The public is paying a high price for the environmental consequences of fossil fuel use. Now that the government is finally starting to recognize those costs, the next question is: Who should share the burden with the American taxpayer? If the price of energy goes up, should taxpayers continue inflating or at minimum sustaining the profit margins of the fossil-fuel-reliant companies? Or should the businesses that have contributed to the problem in the first place be held accountable?

This question looms over the climate debate, and it will be on the table when negotiators gather in

Paris in 2015 to hammer out a new climate treaty and in preliminary sessions in Lima, Peru, in November.

Some in the environmental community argue that there is a danger of acknowledging how much climate change is already costing us. They fear it could dampen people's willingness to pay more to slow it. But to unmask these costs is to reveal a financial tempest foretold. The consequences of climate change will only get more extreme and more expensive the longer we wait. Reduce emissions now and we can cushion, if not avoid altogether, the fall through that sequence of trap doors.

So the question remains: Who will bear the burden of all those years of discounted energy when the real costs of all those discounts are breaking out all over?

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