

The High Cost Of Doing Nothing: Americans Already Are Paying Billions in a Climate Disruption Tax Amid Inaction on Climate Change

While policymakers in Washington debate what to do about climate change, it is already costing the American people tens of billions of dollars every year, and the costs are rising. In 2012, that price tag was especially high: Climate-related droughts, super storms, hurricanes, blizzards, heat waves, and wildfires in the United States killed 349 people and caused an estimated \$139 billion in damages.¹ Across the nation, more than 3,500 monthly weather records for heat, rain, and snow were shattered—a new, all-time high. While it is difficult to tie individual extreme weather events to climate change, the science is unequivocal: the growing accumulation of carbon pollution ringing our planet turbocharges what once were just natural disasters. Now, their intensity is increasingly man-made.

Last year, the costs of extreme weather in the United States totaled almost 1 percent of the nation's gross domestic product—equal to roughly half of all the sales taxes states collected in 2012.² That cost is, in effect, a “climate disruption tax,” equal to a 2.7 percentage point increase in what Americans paid in sales taxes last year.

Certainly, if the president proposed a climate disruption tax to pay for these disasters, many in Congress would be up in arms. But the fact is, we're already paying the price in climate disruption now. What can we do? For one, substantially lowering carbon emissions would reduce climate change's negative impacts on the U.S. economy by helping to moderate an increasingly unstable climate, and by reducing the future climate-change-related costs that families, businesses, and governments will shoulder.



Last year's climate damages were \$139 billion, equivalent to a 2.7 percentage point increase in sales tax.



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THE HIGH COST OF EXTREME WEATHER PUTS AN UNFAIR BURDEN ON THE AMERICAN PEOPLE

Since the early 1990s, the price Americans have paid for climate-related, extreme weather events has skyrocketed. Annual federal wildfire-fighting expenses, for example, more than doubled in the period between 2008 and 2012, compared to the 1994 to 1998 average. In fact, in the last five years, they cost taxpayers more than \$1.6 billion a year, compared to only \$783 million a year between 1994 and 1998.

The price we pay for climate change amounts to a tax on American income, with none of the benefits. Taxes, after all,

fund vital government services: education, healthcare, public safety, and clean air and water, to name just a few. But unlike sales tax revenues, which are used by states to fund almost 35 percent of their budgets, the climate disruption tax is a dead weight on the economy; it helps no one. When people lose their homes to climate-charged hurricanes, even insured homeowners rarely receive payouts equal to their homes' full value. They must make up for these losses by cutting back elsewhere. Similarly, when ranchers start selling their animals at a loss because pasture has dried up, hay is scarce, and drought has driven up the price of feed, those losses are seldom compensated for, except by ranching communities themselves.

Figure 1: Cost of U.S. Weather Disasters vs Sales Tax Revenue

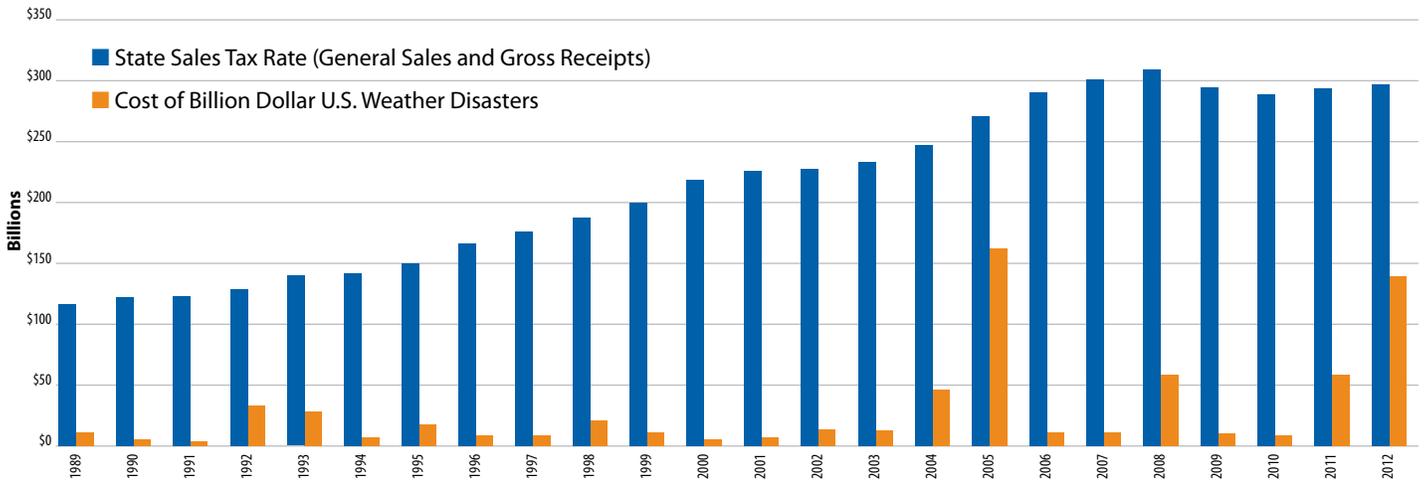
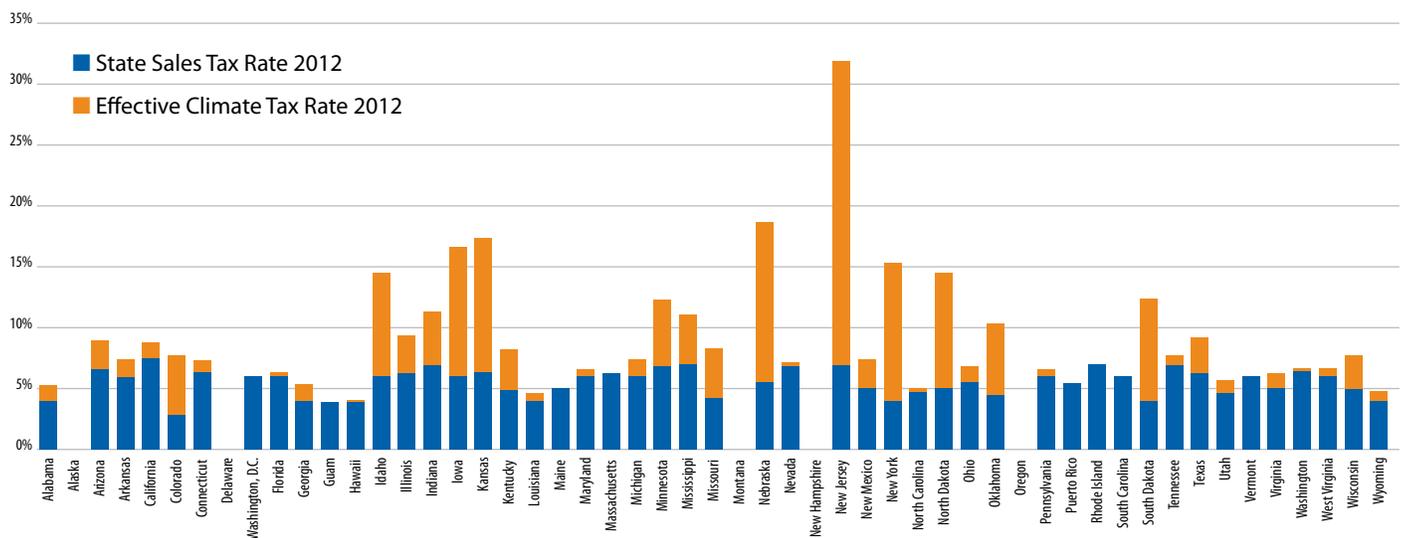


Figure 2: Effective State Climate Disaster Tax Rate, 2012



Sources: U.S. Census Bureau, NOAA

STATE-BY-STATE DAMAGES

2005 still ranks as the worst year for climate-related disasters, taking more than 2,000 lives and costing the American economy \$187 billion in 2012 dollars.³ But 2012 will likely emerge as the year in which the most individual states—46—incurred extreme weather damages.⁴ The combined costs of these events, tabulated by international reinsurance giant AON Benfield⁵ (see Table 1 at right), represents a full 47 percent of the total sales tax revenue American states collected in 2012.

Not only is this essentially a heavy tax on the American people, it is a regressive one as well.⁶ In climate-related disasters to date, those who can least afford it have lost the most—in heat waves that killed elderly Americans in their stiflingly hot apartments and hurricanes that took both the belongings and homes of the poorest Americans. The middle class also has been hit hard by extreme weather events that shut down small businesses, curtail work hours, and stress the already tight budgets of working families.

If an actual tax was collected to cover the costs of 2012's climate damages, residents of many states would have paid a particularly high penalty. Residents of New Jersey and New York, which bore the brunt of Hurricane Sandy, would have had to pay a 25 percentage point and 11 percentage point increase in their sales taxes for climate disruption taxes. States in the agricultural Midwest, which suffered great losses as a result of the nation's record-setting drought, would round out the list of the top 10 states, and would have seen their sales taxes spike as they paid climate disruption taxes ranging from 5 to 11 percent (see Figure 2).⁷

In both the near future and in the long term, the price we pay for inaction on addressing climate change is likely to rise. In 2008, NRDC published a report by Tufts University researchers that calculated the costs to the American economy of just four of global warming's impacts should carbon pollution follow a business-as-usual trajectory. Those impacts include hurricane damage, real estate losses, energy costs, and water costs. By 2025, the researchers concluded, those costs will likely amount to \$271 billion a year in 2006 dollars—1.36 percent of U.S. gross domestic product. By 2050, that total rises to \$506 billion and 1.47 percent of GDP. And by 2100, the cost reaches \$1.873 trillion; GDP losses are estimated to be close to 2 percent.⁸

Paying the Price, Firsthand

In 1989, Jimmy Strickland opened his accounting business in a one-story brick building in the low-lying Hague district of Norfolk, Virginia. For 14 years, he had no problems with flooding. But three times in the last decade, most recently during Hurricane Sandy, his business suffered extensively. Now, when a serious storm is forecast, his family and his employees spend two days moving furniture and files, wrapping office machinery in plastic, and putting together a “door-dam” system they hope will keep floodwaters from swamping the building.

“I could be billing \$150 an hour for my workers,” he told a reporter earlier this year. “Instead, this is what we’re doing. And then it’s another two days or more after the storm to put it all back.”

Table 1: Climate Disasters 2012

Time frame	Event	States Most Affected	Estimated Damages (\$ min)
1/17-1/22	Winter Weather	OR, WA	\$100
1/22-1/23	Severe Weather	AL	\$175
2/28-2/29	Severe Weather	IL, KS, MO, TN	\$500
3/2-3/3	Severe Weather	GA, IL, KY, MS, NC, OH, TN, VA	\$4,000
3/4-3/9	Flooding	HA	\$37
3/14-3/15	Severe Weather	MI	\$275
3/18-3/25	Severe Weather	AR, LA, MS, MO, OK	\$325
3/26-4/30	Winter Weather	MI	\$503
3/29-3/31	Severe Weather	Midwest/ Southeast	\$400
4/2-4/4	Severe Weather	TX	\$1,300
4/11-4/12	Severe Weather	CA	\$79
4/13-4/15	Severe Weather	IA, KS, OK	\$1,750
4/20-4/21	Severe Weather	TX	\$90
4/28-4/29	Severe Weather	IL, IN, KY, MO	\$4,250
5/25-5/29	Tornadoes	KS, MN, NY, OK, TX	\$2,750
6/6-6/7	Severe Weather	CO, WY	\$1,750
6/9-6/30	Wildfire	CO	\$136
6/11-6/13	Severe Weather	TX, NM	\$1,750
6/19-6/20	Flooding	MN	\$170
6/23-6/27	Thunderstorm	FL	\$310
6/23-7/10	Wildfire	CO	\$500
6/28-7/2	Severe Weather	IN, KY, MA, OH, PA, VA, WV	\$3,750
6/30-12/30	Drought	CA, NV, ID, MT, UT, CO, AZ, NM, TX, ND, MI, WI, NE, AR, MO, GA, MS, IL, IN, KS, IA, OK, SD	\$48,500
7/2-7/4	Severe Weather	Midwest	\$500
7/26-7/27	Severe Weather	Northeast	\$175
8/3-8/9	Wildfire	OK	\$200
8/9-8/10	Severe Weather	MI	\$175
8/13-8/31	Wildfire	West	\$115
8/26-8/31	Hurricane Isaac	AL, FL, LA, MS	\$2,000
9/7-9/8	Severe Weather	Midwest Plains	\$225
9/21-9/22	Severe Weather	IN, OH, PA	\$175
10/27-10/30	Hurricane Sandy	CT, NJ, NY	\$62,000
12/24-12/28	Winter Weather	Northeast	\$100
Total			\$139,065

Sources: AON Benfield, Macroeconomic Advisors

REDUCING FURTHER DRAG ON THE U.S. ECONOMY

Climate-related losses serve as a drag on the U.S. economy. They shutter businesses, eliminate jobs, and erase livelihoods. They devastate families and endanger our health—particularly the health of our most vulnerable, children and seniors.

To date, the federal government has failed to broadly cut carbon and other toxic pollution driving climate change. But opportunities abound. In particular, the biggest single step would be to cut carbon pollution from the nation's existing, fossil-fuel-burning electric power plants; they produce a full 40 percent of U.S. carbon dioxide emissions.

Americans shouldn't be forced to pay the ongoing costs of climate change. And yet, as carbon pollution levels continue to soar, our costs grow ever higher. We can help prevent further escalations of these costs by implementing common-sense, money-saving measures that expand energy efficiency and protect public health as they moderate climate change's worst impacts. All that is needed to put such measures in place is the political will to act.

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Tough Times in the Corn Belt



Carl Bettels, a fourth-generation farmer, tends 560 acres in Butler, Missouri, growing grain and raising 130 cows. In 2012, the drought that parched nearly two-thirds of the continental U.S. hit Bettels's farm hard: His crop yields plunged 75 percent; the family lost \$40,000

in income. They had to reach into their retirement savings to pay for their daughter's college education. Mr. Bettels can't imagine leaving the farm. "I've done it for so long, it's a part of me," he told a reporter in 2012. But his wife, Theresa, is worried that the drought may ruin the family financially. "If it's doing this for the next two years, I can't see us being able to keep going," she said last October.

As of this writing, more than five months later, drought conditions in Butler continue to be described as "severe" by the National Oceanographic and Atmospheric Administration.

How to Cut Carbon Pollution and Relieve Americans of the Burden of the "Climate Disruption Tax"



NRDC's report *Using the Clean Air Act to Sharply Reduce Pollution from Existing Power Plants* outlines a roadmap for cutting carbon emissions from existing power plants by 26 percent by 2020. Such reductions chip away at the costs Americans pay for climate disruption. Read our plan:

<http://www.nrdc.org/air/pollution-standards>.

This fact sheet was adapted from a blog post first published on March 1, 2013 at http://switchboard.nrdc.org/blogs/dlashof/sequester_this_us_consumers_pa.html.

- 1 <http://www.ncdc.noaa.gov/billions/events>
- 2 <http://www.census.gov/econ/currentdata/dbsearch?program=QTAX&startYear=2012&endYear=2012&categories=QTA&XCAT1&dataType=T09&geoLevel=US¬Adjusted=1&submit=GET+DATA>
- 3 <http://www.ncdc.noaa.gov/billions/events>
- 4 idem.
- 5 http://thoughtleadership.aonbenfield.com/Documents/20130124_if_annual_global_climate_catastrophe_report.pdf
- 6 A regressive tax is one that takes a larger percentage from low-income people than from higher-income people.
- 7 These figures were calculated using the following formula: (climate costs attributed to each state on a population basis)/(state tax revenue in a given year)* (state tax rate)
- 8 NRDC, *The Cost of Climate Change: What We'll Pay If Global Warming Continues Unchecked*, 2008. <http://www.nrdc.org/globalwarming/cost/contents.asp>.