



COMMITTEE ON THE BUDGET

Chairman John Yarmuth

June 6, 2019

Hearing: The Costs of Climate Change – Risks to the U.S. Economy and the Federal Budget

Fiscal responsibility and good governance call for action on climate change

The consequences of climate change are real, they are already affecting communities across the country, and they are only going to get worse for future generations. If Congress does nothing to address the threat of climate change, growing economic risks across industries and regions will impose a high cost on Americans, businesses, the economy, and the federal budget. On June 11th, the House Budget Committee will hear testimony from four expert witnesses on the current and projected costs of climate change and the impending fiscal risks to the federal government and the taxpayer.

The changing climate will increasingly harm people’s lives, homes, and prosperity — The [Fourth National Climate Assessment](#) concluded that “the evidence of human-caused climate change is overwhelming,” the consequences of climate change are intensifying, and without substantial global mitigation and regional adaptation efforts, “climate change is projected to impose substantial damages on the U.S. economy, human health, and the environment.” The country is already seeing increases in temperatures, sea level, heat waves, wildfires, intense hurricanes and storms, and heavy rainfall events, as well as shifts in precipitation patterns and growing seasons. In fact, over the last three years, the U.S. has experienced [disaster costs](#) exceeding \$150 billion per year, compared with approximately \$16 billion per year (adjusted for inflation) 30 years ago. These changes will become more severe over the coming decades, with communities suffering from more widespread coastal and inland flooding, storm damages, and infrastructure stresses; decreasing agricultural productivity; and the health impacts of extreme heat, reduced air quality, and increased disease exposure.

The economic damages will be large and will span across industries — Two major assessments, from the [Climate Impact Lab](#) and [EPA’s Climate Change Impacts and Risk Analysis project](#), have estimated significant climate damages across industries such as health, labor, coastal property, agriculture, and energy. They independently concluded that, if we continue business as usual with high emissions and limited resilience efforts, annual losses will likely grow to exceed \$500 billion, or roughly 3 percent of national GDP, by the end of the century – and that is just in the examined sectors. The largest impacts would be from reduced labor productivity, damaged coastal property, and lost lives (more than 10,000 additional deaths per year), with further losses associated with energy use, agricultural productivity, air quality, and transportation infrastructure. Almost two billion labor hours could be lost annually due to temperature extremes. Further work is underway to refine these assessments, but the trends and magnitudes clearly demonstrate the risks. The private sector is also beginning to take notice. For example,

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[BlackRock](#), a global investment management company, estimates that the median risk of commercial properties being hit by a category 4 or 5 hurricane has increased by 137 percent since 1980 and that this increase could further rise to 275 percent by 2050, with major implications for commercial mortgage-backed securities.

Every region of the United States is at risk, especially for the poorest and most vulnerable —

The combined economic effects of climate change are largest in the Southeast and Midwest, primarily due to coastal property damage and declining crop yields, but they extend across the country. (Nearly [2.5 million coastal properties](#), valued at over \$1 trillion today, are projected to be at risk of chronic flooding by 2100.) This could exacerbate existing economic disparities – for example, by the late 21st century, the poorest third of U.S. counties could experience damages up to 20 percent of total personal income, compared with 7 percent for the wealthiest counties.

The long-term fiscal health of the federal government is also at risk —

Change climate will increase costs in multiple ways across many federal programs, both directly and indirectly. The [Government Accountability Office \(GAO\)](#) includes the federal government’s fiscal exposure to climate change on its high-risk list. Federal disaster response and relief costs will increase as hurricanes, flooding, wildfires, and other climate-related natural disasters become more frequent and intense. Flood insurance and flood prevention costs will grow due to increasing flood risk. Crop insurance costs will grow due to decreasing agricultural yield and increasing variability – potentially increasing approximately [\\$4 billion](#) (or 40 percent) by 2080. Federal facilities, as well as federally managed lands, infrastructure, and waterways, are at risk. The Department of Defense alone operates more than half a million facilities worldwide, valued at about \$1 trillion – and of 79 mission assurance priority installations, roughly [two-thirds](#) are vulnerable to climate impacts. Public health, national security, and infrastructure impacts are also likely to affect federal spending, although less directly. And reduced productivity and economic activity would result in commensurate decreases in federal revenues.

Fiscal responsibility and good governance call for action on climate change — To avoid significant and preventable costs to the economy and taxpayers, we need to take action now and focus our efforts in areas such as clean energy, resilience, and improved planning for climate risk. Unfortunately, the Trump Administration is acting to reverse the initial progress we have made.

The Budget Committee will learn more about the costs and risks of climate change to the United States and the federal budget at this upcoming hearing. Expert witnesses who will inform our discussion are:

- **Katharine Hayhoe, Ph.D. (Professor and Director of the Climate Science Center, Texas Tech University)**
- **Solomon Hsiang, Ph.D. (Chancellor's Professor of Public Policy, University of California, Berkeley; and Gloria and Richard Kushel Visiting Scholar, Stanford University)**
- **J. Alfredo Gómez (Director, Natural Resources and Environment, U.S. Government Accountability Office)**
- **Oren Cass (Senior Fellow, Manhattan Institute)**