

Hidden costs of the status quo

Written by Rodger A Payne

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RODGER A PAYNE, NOV 1 2009

In late October, the United States National Academy of Sciences released an interesting on-line “prepublication” edition of a report called *Hidden Costs of Energy: Unpriced Consequences of Energy Production and Use*. The October 19 *New York Times* reported the key finding on the costs of air pollution from burning fossil fuels:

Burning fossil fuels costs the United States about \$120 billion a year in health costs, mostly because of thousands of premature deaths from air pollution, the National Academy of Sciences reported in a study issued Monday.

The damages are caused almost equally by coal and oil, according to the study, which was ordered by Congress. The study set out to measure the costs not incorporated into the price of a kilowatt-hour or a gallon of gasoline or diesel fuel.

The study did NOT attempt to estimate costs of any damage cost by global warming, “nor did the study measure damage from burning oil for trains, ships and planes. And it did not include the environmental damage from coal mining or the pollution of rivers with chemicals that were filtered from coal plant smokestacks to keep the air clean.”

Additionally, “the study did not calculate the military cost of protecting fuel imports.” In June 2008, Michael Klare noted that the “conservative National Defense Council Foundation” estimates that “the ‘protection’ of Persian Gulf oil alone costs the U.S. Treasury \$138 billion per year.”

In other words, the study greatly underestimates the costs of using fossil fuels. And yet, it is still a whopping sum just in the U.S.

Essentially, the costs are attributed to air pollution casualties — around 20,000 deaths per year in the U.S. — with each life valued at about \$6 million. Worldwide, between 170,000 and 300,000 people die as a consequence of using fossil fuels. Obviously, that figure is 11 to 15 times as great as the number for the U.S. alone. Even if each non-American life was valued at only one-tenth the value the NAS used for an American life, that would amount to another \$90 to 168 billion cost. Note that I’m using that very lower number to make a very conservative estimate, not to make any kind of moral or economic judgment.

Previously, readers might remember my post about a UNEP estimate that fossil fuel subsidies cost \$300 billion annually. Add the costs of pollution and military defense of oil and the world is spending at least \$650 billion on fossil fuels that is not included in current energy bills.

These figures reflect what economists call “negative externalities.” They are costly, but the costs are not reflected in the price of the commodity — they are external to the transaction. In this case, the costs are borne by entire societies and economies.

Keep these figures in mind next time someone talks about the high costs of switching to sustainable energy technologies. The IPCC oddly refers to these avoided payments as the “net negative costs” of abandoning fossil fuels.

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For the non-economists reading this, that's what we call *savings*.

Again, the figure is at least \$650 billion per year right now.

About the author:

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