

Economic Impacts of a National LCFS: The Charles River Associates Study

An LCFS could raise gasoline and diesel prices as much as 170% within 10 years.

As many as 2.3 to 4.5 million American jobs could be lost.

Higher fuel costs could drive down annual purchasing power by \$1,400 to \$2,000 per household by 2025.

In 2010, Consumer Energy Alliance commissioned Charles River Associates to conduct a study on the economic effects of a national low-carbon fuel standard (LCFS). The report, "Economic and Energy Impacts Resulting from a National Low Carbon Fuel Standard," reached some startling conclusions. Principally, the imposition of a nationwide LCFS would raise average U.S. gasoline and diesel prices by as much as 80 percent within five years of the start of the program and up to 170 percent within 10 years, which would have serious repercussions for U.S. economic growth and nationwide employment.

With higher gas prices, the economy tends to slow as the price of nearly everything rises to account for increased fuel costs. These higher costs would drive down household annual purchasing power by between \$1,400 and \$2,400 by 2025 and

cause the U.S. Gross Domestic Product to decline by two to three percent by 2025. Although two to three percent sounds small, that represents a loss of between \$410 and \$750 billion.

One of the more staggering findings of the report is how an LCFS would affect employment. The study projected that an LCFS implemented in 2015 would cause an estimated net loss of 2.3 million to 4.5 million American jobs by 2025 from baseline levels. As many as 1.5 million of these jobs would be in the manufacturing sector, while as many as 3 million would be in the service sector. These job cuts reflect the cumulative impact businesses would face from reduced consumer demand and higher costs for goods and services caused by an LCFS.

