Climate change's threat to the Florida economy

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As economists, we are deeply aware of the role that climate change will have on the economic development in Florida's future. And although Congress failed to pass climate legislation last year, the climate issue is not going away.

We recently evaluated the potential impact on Florida of draft legislation (specifically, the American Power Act) intended to curtail emissions of the pollutants that cause climate change. Our analysis concludes that such legislation would have negligible short-term impact on Florida's economy and would place Florida — and the rest of the nation — on the long-term path toward energy independence and sustainable economic prosperity.

Florida is especially vulnerable to climate change because of its 1,200 miles of coastline, 4,500 square miles of estuaries and bays, its relatively low elevation and its densely populated coastal communities. The tourism industry, moreover, is an important pillar of the state's economy and is itself highly dependent on Florida's coastal and marine ecosystems.

More than 9 million Floridians live within 60 miles of the shoreline, and the state's most densely populated urban centers, where a third of Florida's gross domestic product is produced, are located along the southeast Florida coast. The likely effects of global climate change threaten Florida's economy and quality of life perhaps to a degree unsurpassed in any other state in the nation.

It is imperative that climate policy strikes the right balance between the costs to consumers and businesses and the economic, fiscal and environmental risks associated with inaction. Florida, with its potential to become a leading player in clean energy generation, is positioned to capitalize on legislation that correctly aligns energy prices and incentivizes the necessary shift toward energy efficiency and clean energy generation. While the rest of the world must also act to reduce emissions worldwide, U.S. leadership remains imperative — not least because America releases 20 percent of the world's emissions while having only 5 percent of global population.

Although the timing of climate change's effects remains a point of debate, its direct relationship to increasing concentrations of greenhouse gases from burning fossil fuels is well accepted among climate scientists. Comprehensive energy policy reform, moreover, has the potential to stimulate the growth of a state-of-the-art, renewable energy cluster of industries in Florida, creating thousands of high-paying jobs over many years, and at the same time protecting the tourism, construction and agriculture industries that represent Florida's traditional economic base.

While there have not been many studies on the potential economic effects in Florida of inaction on climate change, and more work needs to be done in this area, one recent study by Tufts University provides a sobering assessment of the potential economic costs to Florida from failing to act on climate change risks. These include an average loss of $27 billion per year to Florida's economy, nearly 300,000 jobs lost as early as 2025, and annual economic losses to Florida projected to grow to $93 billion and 700,000 jobs by 2050.

Moreover, well-designed legislation need not burden consumers and businesses. Economists at the Environmental Protection Agency, using widely accepted Energy Department models, projected that the American Power Act was likely to lead to minimal increase in energy costs. Reasonable estimates suggest the typical Florida household would pay on average an additional $19 per year from 2011 to 2030. (Importantly, that figure that assumes that energy costs wouldn't increase from inaction on climate, even though climate-related impacts on power systems from more severe storms and heat stresses on transmission and water systems could be significant.)

It's worth noting that the market-based approach taken in the American Power Act was originally championed by the first President George Bush to address acid rain — and has proved highly successful in doing so. Such an approach achieves the necessary pollution reductions while maximizing flexibility to business but minimizing costs and bureaucracy.

In short, the risks to Florida's economy from inaction on climate change are simply too great to ignore, and correcting the misalignment of energy prices provides opportunities to create new industries. Our analysis indicates that well-crafted climate legislation would move the nation toward the goal of significantly reducing pollution, while protecting and even enhancing economic growth in Florida. Such a path is in the best interests of Florida's long-term economic development and its millions of current and future residents.