

**Opening Statement of Chairman Sheldon Whitehouse
Senate Committee on the Budget
"Climate-Related Economic Risks and Their Costs to the Federal Budget and
the Global Economy"
February 15, 2023**

Ranking Member Grassley, colleagues, particularly our new members, let me welcome you to what I hope will be a busy, revived, impactful and lively Budget Committee. I want this to be your surprise favorite committee. We have important work to do on bipartisan health care reforms, on reforming this Committee's process to fit the basic arithmetic of the budget, and on issues important to each of you as members.

We'll begin with a series of hearings on the looming costs and economic risks of climate upheaval. Almost exactly five years ago, I sent around this binder to all of my Senate colleagues, in which I compiled some of the most compelling warnings about the economic risks associated with climate change. Last week, I sent your staffs an updated version of this binder. Here it is. As you can see, the warnings keep piling up. Have fun with the light reading.

These warnings come from central bankers, economists, asset managers, insurance companies, investment banks, credit rating agencies, and leading management consultants — folks with a lot of credibility when it comes to economics, finance, corporate risk, and their effect on government spending and revenues. These will be our witnesses — economists, scientists, business leaders, and other financial and risk experts, many of whose work is included in this binder.

I've said that science provides the headlights for society; that it's scientists who illuminate the way for us to navigate into the future. Think of the economists and scientists we'll hear from as the headlights for the United States Congress as this committee helps navigate our long-term budget and fiscal priorities.

Look at our national debt. One thing that stands out is how much of it was incurred as a result of exogenous shocks to the economy. Consider the 2008 financial crisis, which blew up the financial security of families and businesses across the country, and reduced government revenues for a decade. Two years after the recession, CBO found that projected revenues fell by \$4.4 trillion and projected spending rose by \$800 billion to spur the recovery.

Consider the pandemic. The Committee for a Responsible Federal Budget estimates that the federal response to the pandemic, which brought Covid under control, protected families, and jump-started our economic recovery, will add \$5.5 trillion to our deficits. That doesn't factor in lost revenue, or lost economic activity, so the total economic cost is much higher.

We came through both, but together those two exogenous shocks contributed \$10 trillion to the federal debt — more than 40% of the total; proof of how catastrophic events can and do affect the federal budget and the economy. And how life has a way of upsetting best-laid plans—and 10-year budget baselines.

Headlights, and better attention to what they illuminated, could have helped. Plenty of financial experts saw the 2008 mortgage mess coming. Plenty of epidemiologists warned that the country was woefully unprepared for a pandemic.

Now we have all these warnings. Warnings of crashes in coastal property values as rising seas and more powerful storms hit the 30-year mortgage horizon. Warnings of insurance collapse from more frequent, intense and unpredictable wildfires. A dangerous interplay between the insurance and mortgage markets hitting real estate markets across the country. Inflation from decreased agricultural yields. Massive infrastructure demand. Trouble in municipal bond markets. Stranded assets, and a “carbon bubble.” The most dangerous risks are called “systemic,” meaning that they will cascade out into the broader economy, as the mortgage problem did in 2008. And it’s big: Deloitte predicts the differential between being responsible and reckless about climate could sum to more than 220 trillion dollars between now and 2070.

Some of these warned-of risks are already upon us. Already, climate-related natural disasters increase federal spending on disaster assistance, flood insurance, crop insurance, and other programs we fund. But this is just the beginning. It will certainly get worse — much worse, particularly if warming exceeds 1.5 degrees. We are on a bad trajectory. It’s time for us all to wake up and face the problem, before coastal cities flood with water or Southwest cities can’t get water. I hope we can fend that off, with action, if we snap into focus on the danger.

We are all familiar with the “tragedy of the commons.” In 2015, our opening witness Dr. Carney gave a speech entitled “the tragedy of the horizon,” because some the gravest dangers of climate change, which we could head off today, come to pass years or decades out. Rhode Island’s coastline will be gone, reshaped into an archipelago by 2100, you say? Who cares, that’s an eternity!

Well, almost exactly a year ago, I became a grandfather for the first time. Baby Vera, God willing, will be alive in 2100. When I look at her, I am looking at that future. Walk by any elementary school. The faces you see on the playground, God willing, will be alive in 2100. How will those little ones remember our Less-than-Greatest Generation? We owe it to kids on playgrounds all across America to pay attention, to get this right.

By the end of this series of hearings, if we hear these expert witnesses, if we treat their testimony as our headlights, then our path will be clear. Thank you, and let’s get to work.