

Climate Inaction is an Affordability Problem

Spotlight Testimony of
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US Senate Committee on Environment and Public Works

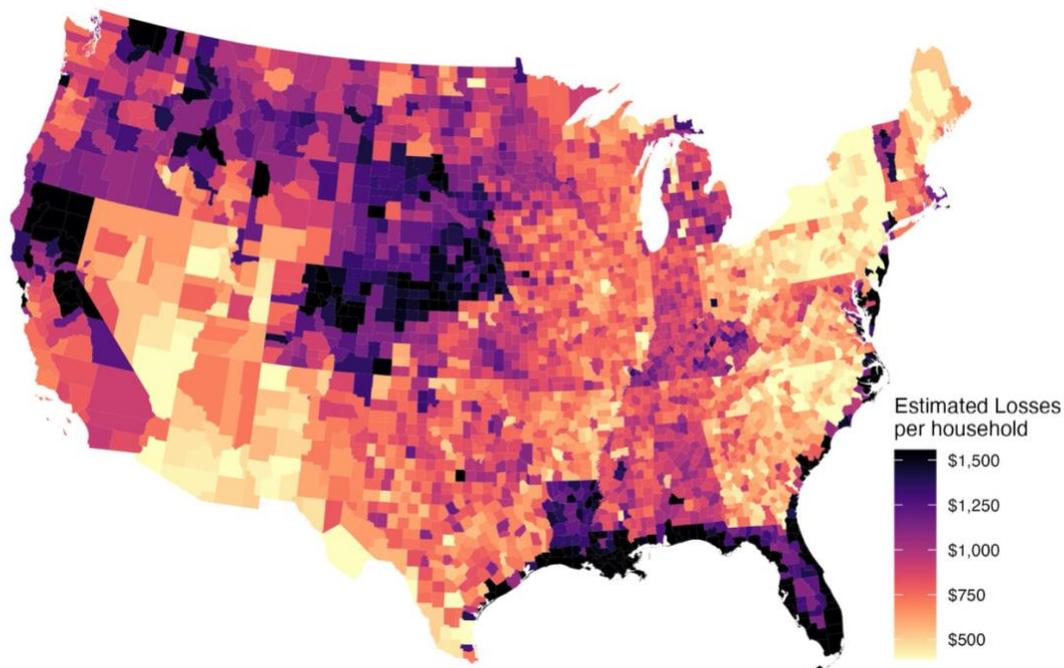
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Ranking Member Whitehouse and members of the committee, thank you for inviting me to share my views on the financial consequences of climate change for American households. My testimony documents how climate change is already imposing substantial and measurable costs on US households—costs that will escalate considerably if the underlying drivers remain unaddressed.

Over the past year, many Americans have experienced growing frustration with the affordability of goods and services: [healthcare](#), [groceries](#), [housing](#), [utility bills](#), and [gas prices](#) are all concerns. Unfortunately, the Trump Administration’s policies have worsened affordability across multiple dimensions; [tariffs have increased the cost of many goods](#), the [OBBBA made healthcare more expensive](#) by reducing Medicaid funding and failing to extend health insurance premium tax credits, immigration clampdowns made both [housing construction](#) and [other services](#) more costly, the [repeal of clean energy tax credits raised utility bills](#), and the current war in Iran is [sharply increasing gas prices](#) at the pump.

Beyond these well-known pressures, a less appreciated driver of household costs is climate change itself. In [recent work](#), with Chris Knittel and Catherine Wolfram of MIT, we examine the affordability impacts of climate change across several important dimensions. While our analysis cannot capture every relevant factor, even this partial accounting reveals that climate change already imposes substantial costs on US households—approximately \$900 per year on average. Costs are considerably higher in regions that have experienced major natural disasters, such as wildfires and hurricanes.

Geographic Inequities from Increased Climate Change Costs



Our work examines some, but not all, of the current costs of climate change. A central focus is how natural disasters affect housing costs through multiple channels. Most important, climate-related natural disasters have caused sharp increases in home insurance premiums, in some cases rendering properties entirely uninsurable. Higher insurance costs alone average more than \$500 annually for US households, with considerably higher burdens in the top cost decile.

Estimated Annual Average Household Costs

	Average	90th Percentile Costs
Insurance Costs	501	842
Flood Costs	142	75
Energy Costs	56	286
Costs Borne by Governments	77	103
Crop Losses	0	0
Mortality Costs: Temperature	1	2
Mortality Costs: Wildfire PM _{2.5}	103	200
Mortality Costs: Natural Disasters	21	21
TOTAL	901	

Note: All amounts are in current (roughly 2023) dollars. See our *Brookings Papers on Economic Activity* [paper](#) for a detailed explanation of each row.

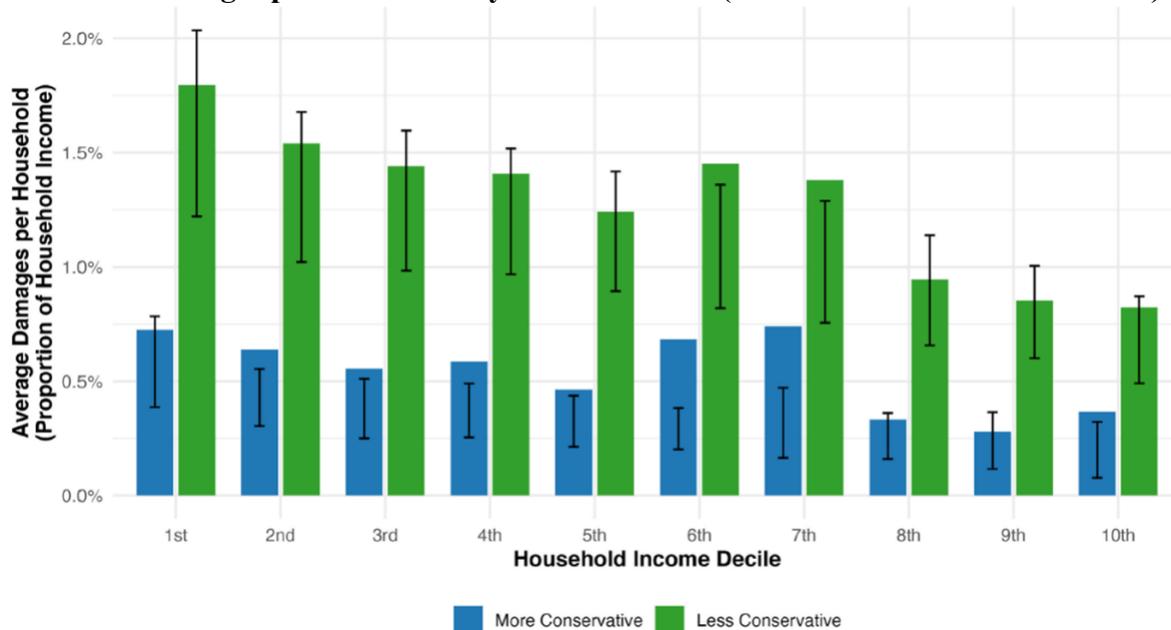
Other costs are also significant. Governments expend resources on natural disaster relief that are ultimately borne by US taxpayers, energy costs for cooling are increasing, and numerous unmeasured factors—including adaptation expenditures, ecosystem degradation, and climate-driven changes in property values—are likely to add meaningfully to the total burden.

Health and mortality costs are substantial, causing devastating losses for affected families and generating average US household costs that already exceed \$100 annually. In our analysis, the single deadliest impact stems from wildfire-related fine particulate matter, which contributes to tens of thousands of premature deaths each year. Temperature-related health effects are comparatively modest in net terms, as reduced cold-weather mortality partially offsets the rise in heat-related deaths, and the widespread use of air conditioning helps limit the adverse health consequences of extreme heat in the United States. [Other research](#) shows that hurricanes are also responsible for surges in excess mortality.

A key lesson from our work is that climate change has disparate impacts; those most affected by the devastating consequences of natural disasters may be a minority, but they bear very large costs. Geography is an essential factor; areas subject to more wildfires and extreme weather events – such as the rural west and the Gulf coast – face the largest costs. In ten percent of counties, household costs exceed \$1,300 a year.

Moreover, the burden of climate change falls disproportionately on lower-income households, for whom these costs represent a substantially larger share of total income.

Estimated Damages per household by income decline (as a share of household income)¹



¹ One key challenge of this research is quantifying the fraction of natural disasters that are due to climate change. To allow for uncertainty, we calculate a “more conservative” estimate that attributes a smaller fraction of increased natural disasters to climate change; under this scenario, average household costs are about \$400, about \$290 of which is due to effects of disasters on home insurance prices, uninsured flood costs, and government relief efforts; costs due to the mortality consequences of natural disasters are about \$75.

The costs of climate inaction are substantial, aggregating to more than \$110 billion per year in our main estimate. There are several key policy implications from these findings.

First, the costs of climate inaction are often greater than the costs of well-designed climate action for US households. For example, the increased costs to US households from more aggressive climate policy (see [Bistline et al. 2025](#)) are typically smaller than the costs of climate inaction demonstrated here. Further, the costs of climate inaction are more regressive than well-designed climate policies. Climate policy can easily be designed to mitigate or eliminate inequalities across income groups or geography, whereas climate inaction has inherently disparate effects.

Second, climate adaptation is important; federal, state, and local governments should be more active in addressing natural disaster risks.

Third, climate action is a global collective action problem. More active U.S. climate policy would help mitigate the effects of climate change for people around the world, just as action abroad helps mitigate the effects of climate change for US households. Addressing this challenge therefore requires sustained international coordination and cooperation.

Finally, there are important threshold effects and nonlinearities. As average temperatures continue to rise, the costs of inaction—including through more frequent and severe natural disasters—will escalate steeply and in ways that are difficult to reverse.

Climate change is fundamentally an affordability problem—one that imposes real and growing costs on American households today, and far greater costs on future generations if left unaddressed. Sound US climate policy must account for these burdens and act accordingly.