



## **Oral Comments to EPA’s Science Advisory Board on Planned Actions and Their Supporting Science**

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May 31, 2018

I am the Legal Director at the Institute for Policy Integrity, a non-partisan think tank based at New York University.<sup>1</sup> The Work Group raises many topics on which, given more time to speak, the Institute would comment. As one brief aside regarding PM mortality below the NAAQS, I call the SAB’s attention to a forthcoming article by Richard Revesz and Kimberly Castle that collects the robust literature supporting fully valuing PM effects.<sup>2</sup> I will now focus my time on the need to review the science and economics of EPA’s recent methodological manipulations that decimate the social cost of carbon.

The Clean Power Plan repeal relies in part on manipulating the previously accepted estimate of the social cost of carbon.<sup>3</sup> EPA’s new “interim” estimate ignores the interconnected, global nature of our climate-vulnerable economy by adopting a misguided “domestic-only” perspective, and it obscures the devastating effects that climate change will have on future generations by applying an indefensible 7% discount rate. Changes to vehicle emissions standards will likely rely on similarly problematic recalculations. As the Work Group notes, these methodological changes have no support in the literature, did not undergo peer review, and erase 97% of the social cost of carbon.<sup>4</sup> The Work Group recommends that the SAB may want to review these methodological changes or else call to reconvene the National Research Council (NRC) Committee on the social cost of carbon.<sup>5</sup>

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<sup>1</sup> These comments do not purport to present the views, if any, of New York University.

<sup>2</sup> Forthcoming in 103 Minn. L. Rev. (2019), *available at* [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3154669](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3154669).

<sup>3</sup> See also Policy Integrity, *How the Trump Administration is Obscuring the Costs of Climate Change* (2018), [http://policyintegrity.org/files/publications/Obscuring\\_Costs\\_of\\_Climage\\_Change\\_Issue\\_Brief.pdf](http://policyintegrity.org/files/publications/Obscuring_Costs_of_Climage_Change_Issue_Brief.pdf).

<sup>4</sup> SAB Work Group, *Discussions of EPA Planned Agency Actions and their Supporting Science in the Fall 2017 Regulatory Agenda*, at B-9 (2018).

<sup>5</sup> *Id.* at B-10.

An advantage of reconvening the NRC Committee is, compared to the SAB's focus on EPA actions, the NRC can address how multiple agencies including EPA are undercutting the science and economics behind the social cost of carbon. The Bureau of Land Management has also adopted the same flawed methodological changes as EPA to develop new "interim" social cost of methane numbers to justify its own deregulatory proposals.<sup>6</sup> Presumably, forthcoming revisions to the Department of Transportation's fuel economy standards will follow suit.<sup>7</sup> Other agencies, like the Office of Surface Mining, have stopped using the social cost of carbon in their NEPA analyses, citing, among other reasons, the "interim" status of EPA's altered numbers.<sup>8</sup> The NRC can address all these agencies' approaches and restore a sound, harmonized methodology for all agencies to follow.

Indeed, the NRC already did the work necessary to review these methodological manipulations. In its January 2017 report, NRC presciently noted that a domestic-only estimate or a 7% discount rate would be inappropriate.<sup>9</sup> NRC explained that the "international implications" of climate change can directly "impact the United States," including spillovers from global economic destabilizations, and so its report advised caution on trying to cabin off purely domestic impacts.<sup>10</sup> Moreover, NRC concluded that current models cannot accurately estimate

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<sup>6</sup> BLM, *Regulatory Impact Analysis for the Proposed Rule to Rescind or Revise Certain Requirements of the 2016 Waste Prevention Rule 71-76* (2018).

<sup>7</sup> See Joint Comments to NHTSA from Policy Integrity et al., *Comments on Quantifying and Monetizing Greenhouse Gas Emissions in the Environmental Impact Statement for Model Year 2022-2025 Corporate Average Fuel Economy Standards*, Sept. 25, 2017, [http://policyintegrity.org/documents/Joint\\_SCC\\_Comments\\_to\\_NHTSA\\_on\\_MY2022\\_Scoping.output.pdf](http://policyintegrity.org/documents/Joint_SCC_Comments_to_NHTSA_on_MY2022_Scoping.output.pdf) (advising NHTSA not to abandon a global SCC).

<sup>8</sup> E.g., Office of Surface Mining, Reclamation, and Enforcement, *Bull Mountains Mine No. 1 Federal Mining Plan Modification: Environmental Assessment at D-6* (2018) (giving, as its second reason for not applying the social cost of carbon protocol, the disbanding of the interagency working group and subsequent development of "interim protocols").

<sup>9</sup> See also Richard G. Newell, *Unpacking the Administration's Revised Social Cost of Carbon*, Oct. 10, 2017, <http://www.rff.org/blog/2017/unpacking-administration-s-revised-social-cost-carbon>; M. Drupp et al., *Discounting Disentangled: An Expert Survey on the Determinants of the Long-Term Social Discount Rate* (Ctr. for Climate Change Econ & Pol'y, Working Paper 195, 2015); Peter Howard & Derek Sylvan, *Expert Consensus on the Economics of Climate Change* (Policy Integrity Report, 2015); U.S. Council of Economic Advisers, *Discounting for Public Policy: Theory and Recent Evidence on the Merits of Updating the Discount Rate* (2017).

<sup>10</sup> Nat'l Acad. of Sci., *Valuing Climate Damages: Updating Estimation of the Social Cost of Carbon Dioxide* at 9, 53 (2017) (see Conclusion 2-4); *id.* at 53 ("Climate damages to the United States cannot be accurately characterized without accounting for the consequences outside U.S. borders. As the IWG noted, climate change in other regions of the world could affect the United States through such pathways as global migration, economic destabilization, and political destabilization. In addition, the United States could be affected by changes in economic conditions of

a domestic-only social cost of carbon, and estimates based arbitrarily on the U.S. share of global GDP are insufficiently robust.<sup>11</sup> NRC also specifically recommended discount rates based on the “consumption rates of interest,” such as 3% or lower, and rejected rates based on a return to private capital, like 7%, which are inconsistent with theory and evidence about the valuation of intergenerational climate effects.<sup>12</sup>

In short, whether by the SAB itself or by reconvening the NRC Committee, the recent manipulations to the social cost of carbon merit further review.

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its trading partners: lower economic growth in other regions could reduce demand for U.S. exports, and lower productivity could increase the prices of U.S. imports.”).

<sup>11</sup> *Id.* at 52-53 (noting that the U.S. share of global GDP is about 23%, but concluding that “Correctly calculating the portion of the SC-CO<sub>2</sub> that directly affects the United States involves more than examining the direct impacts of climate that occur within the country’s physical borders. . . . The current SC-IAMs do not fully account for these types of interactions among the United States and other nations or world regions in a manner that allows for the estimation of comprehensive impacts for the United States”).

<sup>12</sup> *Id.* at 19 (see Recommendation 6-2, recommending “parameters for the Ramsey formula that are consistent with theory and evidence and that produce certainty-equivalent discount rates consistent, over the next several decades, with consumption rates of interest”); *see also id.* at 18 (recommending a discount rate module that recognizes long-term uncertainty over the rate and economic growth, which would inevitable push toward a lower discount rate); *id.* at 181 (explaining that its discussion of the need for low and high estimates “in no way endorses the targeting of a near-term 7 percent discount rate as the high rate”).