



April 23, 2018

To: Jonathan Witt, Office of Air Quality Planning and Standards
E. Scott Pruitt, Administrator, Environmental Protection Agency

Subject: Comments on Failure to Monetize the Value of Forgone Emission Reductions in the *Estimated Avoided Costs and Forgone Emission Reduction Analysis Associated with the Potential Withdrawal of the Control Techniques Guidelines for the Oil and Natural Gas Industry*, Docket ID No. EPA-HQ-OAR-2015-0216

Submitted by: Environmental Defense Fund, Montana Environmental Information Center, Natural Resources Defense Council, Institute for Policy Integrity at New York University School of Law, Sierra Club, Union of Concerned Scientists¹

EPA is soliciting comments on the proposed withdrawal of its control techniques guidelines (CTG) for the oil and natural gas industry. The agency explains that: “In light of the fact that [EPA is] reconsidering the 2016 NSPS and because the 2016 NSPS and CTG share certain key pieces of data and information, the EPA believes it is prudent to withdraw the CTG in its entirety.”² EPA supports its proposed withdrawal of the CTG with an analytical memorandum on avoided costs and forgone emission reductions.³ The agency monetizes the alleged avoided costs down to the dollar (calculating, for example, \$910 in total annualized savings for natural gas-driven pneumatic controllers-processing⁴), but arbitrarily fails to monetize the forgone emission reductions.⁵

The proposed withdrawal’s costs—that is, the monetized damages associated with the forgone emission reductions—are substantial and outweigh the withdrawal’s alleged benefits (that is, the avoided costs). For example, the damages associated with the increased methane emissions resulting from the proposed withdrawal should be monetized using the social cost of methane metrics. EPA should have applied the best estimates of the social cost of methane that are available to federal agencies: specifically, the Interagency Working Group’s 2016 estimates.

For purposes of illustrating how the proposed withdrawal’s costs outweigh its benefits, these comments will use EPA’s calculation of the tons of methane per year that will result from the proposed withdrawal (though these comments in no way endorse the accuracy of that calculation). Multiplying the tons of methane emitted per year (199,700 tons) by the Interagency Working Group’s estimate of climate damages per ton of methane (\$1440 for year 2020 emission in 2017\$) and discounting back to present value (at 3% discount rate), just three years’ worth of emissions under the proposed withdrawal will generate climate damages of nearly three-quarters of a billion dollars, easily swamping by year 2023 the

¹ Our organizations may separately submit other comments regarding other aspects of the proposed suspension.

² 83 Fed. Reg. 10,478, 10,479 (Mar. 9, 2018).

³ Memorandum to Docket No. EPA-HQ-OAR-2015-0216 (Control Techniques Guideline for the Oil and Natural Gas Industry) (Feb. 15, 2018) (“Analytical Memo”), Docket ID: EPA-HQ-OAR-2015-0216-0342.

⁴ *Id.* at 16 tbl.A.3.

⁵ See *Ctr. for Biological Diversity v. Nat’l Highway Traffic Safety Admin.*, 538 F.3d 1172, 1198 (9th Cir. 2008) (warning agencies not to “put a thumb on the scale by undervaluing the benefits and overvaluing the costs”).

total avoided costs over the entire lifetime of the withdrawal,⁶ with additional net damages inflicted every year thereafter.

Previous comments submitted to EPA by some of our groups on the proposed reconsideration of the 2016 NSPS for oil and gas—and on that proposal’s improper estimation of the social cost of greenhouse gases—are attached; those previous comments fully explain why it is crucial to use the social cost of greenhouse gases and why the Interagency Working Group’s 2016 estimates remain the most appropriate choice for agency analysis.

By only quantifying the volume of forgone methane reductions, instead of monetizing the associated damages to the environment, public health, and welfare, EPA obscures the very real and readily monetizable negative consequences of its proposed withdrawal. EPA similarly glosses over the very significant, if not yet fully monetizable, costs from forgone emission reductions of volatile organic compounds (VOCs) and hazardous air pollutants (HAPs). VOCs and HAPs have severe consequences for human health, at a cost to the U.S. economy. For example, the Centers for Disease Control estimate that asthma—exacerbated by exposure to ozone formed by VOC emissions—costs the United States \$56 billion annually.⁷ Neither a discussion of the proposed withdrawal’s impact on asthma nor any assessment of the many other practical, negative consequence from increased emissions of VOCs or HAPs appears in EPA’s proposed withdrawal or the supporting analytical memorandum. It is arbitrary for EPA to justify its proposed withdrawal by monetizing the supposed cost savings down to the dollar without treating the substantial negative effects with proportional analytical rigor.

Sincerely,

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* No part of this document purports to present New York University School of Law’s views, if any.

Attached: Joint Comments on Misuse of the Social Cost of Greenhouse Gases in the Oil and Gas NSPS

⁶ Specifically, the present value of the damages from emissions in years 2021, 2022, and 2023 together total over \$766 million at a 3% discount rate, while EPA calculated the avoided costs over years 2021-2035 as \$599 million at a 3% discount rate, Analytical Memo at 3. These comments in no way endorse the accuracy of EPA’s calculation of avoided costs.

⁷ CDC, *Asthma’s Impact on the Nation*, https://www.cdc.gov/asthma/impacts_nation/asthmafactsheet.pdf.