March 13, 2019

To: Nicole Hayes, Project Manager, BLM Alaska State Office

Subject: Comments on Failure to Monetize Greenhouse Gas Emissions in the Coastal Plain Oil and Gas Leasing Program Draft Environmental Impact Statement

Submitted by: Environmental Defense Fund, Institute for Policy Integrity at New York University School of Law, Montana Environmental Information Center, Union of Concerned Scientists, and The Wilderness Society[1]

The following comments focus on the failure to monetize climate damages in the Coastal Plain Oil and Gas Leasing Program Draft Environmental Impact Statement (DEIS). The Coastal Plain is part of the Arctic National Wildlife Refuge, a federally protected area and the largest wildlife refuge in the country. BLM estimates and quantifies at least some direct, upstream, and downstream greenhouse gas emissions from oil and gas leasing, but fails to quantify indirect emissions from methane leaks and its methodology for estimating net downstream emissions contains flaws and inconsistencies. Yet even for the emissions that the agency does estimate, the DEIS does not include a monetized estimate of any of the actual, real-world climate damages those emissions will produce. In fact, BLM claims that the climate impacts are the same across all alternatives.[2] However, when compared to the no action alternative, the scenarios that BLM proposes would result in hundreds of millions of dollars in annual climate impacts.

BLM dedicates a section of Appendix F (F.2.1) to defend why the agency has chosen not to use the social cost of greenhouse gases metric to monetize the plan's emissions.[3] BLM's arguments are wrong, and these comments explain why BLM's reasoning is flawed and how BLM has violated its obligations under the National Environmental Policy Act (NEPA). Specifically, we make the following points:

1. Application of the social cost of greenhouse gases is not limited to rulemakings; NEPA requires agencies to fully and accurately estimate environmental, public health, and social welfare differences between alternatives, and the social cost of greenhouse gases is the best available tool to compare the climate impacts of alternatives;
2. Executive Order 13,783 does not bar agencies from using the same methodology and inputs applied by the Interagency Working Group (IWG) to develop its best estimates of social cost of greenhouse gases and, in fact, by requiring agencies to use best practices, the Executive Order would point agencies toward the same or higher values of global climate damages as calculated by the IWG;
3. Although NEPA does not require a formal cost-benefit analysis, the statute does require a "reasonably thorough discussion" and "necessary contextual information" on real-world climate impacts and their significance. The social cost of greenhouse gases provides such information,

[1] Our organizations may separately and independently submit other comments on other issues raised by the DEIS.
[2] BLM, Coastal Plain Oil and Gas Leasing Program Draft Environmental Impact Statement 3-5 (2018) [hereinafter DEIS].
[3] *See* DEIS at F-2.

whereas a volumetric estimate of emissions does not meaningfully contextualize the significance of a proposed action's incremental contribution to climate change;

4. BLM monetized a number of other effects of the program, including royalties and labor income, and must give climate effects the same consideration. When an agency monetizes a proposed action's potential benefits—as BLM does here—the potential climate costs must be treated with proportional rigor. Additionally, simply because not every effect can be monetized does not mean that monetization is not a useful analytical tool.
5. BLM considers all greenhouse gas emissions that is has quantified in the DEIS relative to carbon dioxide (expressed as tons of carbon dioxide equivalent); however, BLM should estimate emissions from methane leaks and account for these gases separately, using the IWG Social Costs of Methane to monetize their climate effects.

We explain each of these points in turn below.

I. BLM Must Monetize the Social Cost of Greenhouse Gases in Its DEIS

The National Environmental Policy Act (NEPA), the statute under which environmental impact statements are required, directs agencies to fully and accurately analyze the environmental, public health, and social welfare differences between proposed alternatives, and to contextualize that information for decision-makers and the public. NEPA requires a more searching analysis than merely disclosing the amount of pollution. Rather, BLM must examine the "ecological[,]… economic, [and] social" impacts of those emissions, including an assessment of their "significance."[4] By failing to use available tools, such as the social cost of carbon, to analyze the significance of emissions, BLM violated NEPA.

Monetizing Climate Damages Fulfills the Obligations and Goals of NEPA

When a proposed action has climate consequences that must be assessed under NEPA, monetizing the climate damages fulfills an agency's legal obligations under NEPA in ways that simple quantification of tons of greenhouse gas emissions cannot. NEPA requires "hard look" consideration of beneficial and adverse effects of each alternative option for major federal government actions. The U.S. Supreme Court has called the disclosure of impacts the "key requirement of NEPA," and held that agencies must "consider and disclose the *actual environmental effects*" of a proposed action in a way that "brings those effects to bear on [the agency's] decisions."[5] Courts have repeatedly concluded that an environmental impact statement must disclose relevant climate effects.[6] NEPA requires "a reasonably thorough discussion of the significant aspects of the probable environmental consequences," to "foster both informed decisionmaking and informed public participation."[7] In particular, "[t]he impact of greenhouse gas emissions on climate change is precisely the kind of cumulative impact analysis that NEPA requires," and it is arbitrary to fail to "provide the necessary contextual information about the

[4] 40 C.F.R. §§ 1508.8(b), 1502.16(a)-(b).

[5] *Baltimore Gas & Elec. Co. v. Natural Res. Def. Council*, 462 U.S. 87, 96 (1983) (emphasis added); *see also* 40 C.F.R. § 1508.8(b) (requiring assessment of the "ecological," "economic," "social," and "health" "*effects*") (emphasis added).

[6] As the Ninth Circuit has held: "[T]he fact that climate change is largely a global phenomenon that includes actions that are outside of [the agency's] control . . . does not release the agency from the duty of assessing the effects of *its* actions on global warming within the context of other actions that also affect global warming." *Ctr. for Biological Diversity v. Nat'l Highway Traffic Safety Admin.*, 538 F.3d 1172, 1217 (9th Cir. 2008); *see also Border Power Plant Working Grp. v. U.S. Dep't of Energy*, 260 F. Supp. 2d 997, 1028-29 (S.D. Cal. 2003) (failure to disclose project's indirect carbon dioxide emissions violates NEPA).

[7] *Ctr. for Biological Diversity*, 538 F.3d at 1194 (citations omitted).

cumulative and incremental environmental impacts."[8] Furthermore, the analyses included in environmental assessments and impact statements "cannot be misleading."[9] An agency must provide sufficient informational context to ensure that decisionmakers and the public will not misunderstand or overlook the magnitude of a proposed action's climate risks compared to the no action alternative. As this section explains, by only quantifying the volume of greenhouse gas emissions, agencies fail to assess and disclose the actual climate consequences of an action and misleadingly present information in ways that will cause decisionmakers and the public to overlook important climate consequences. Using the social cost of greenhouse gas metrics to monetize climate damages fulfills NEPA's legal obligations in ways that quantification alone cannot.

BLM Must Assess Actual Incremental Climate Impacts, Not Just the Volume of Emissions

The tons of greenhouse gases emitted by a proposed action are not the "actual environmental effects" under NEPA. Rather, the actual effects and relevant factors are the incremental climate impacts caused by those emissions, including:[10]

- property lost or damaged by sea-level rise, coastal storms, flooding, and other extreme weather events, as well as the cost of protecting vulnerable property and the cost of resettlement following property losses;
- changes in energy demand, from temperature-related changes to the demand for cooling and heating;
- lost productivity and other impacts to agriculture, forestry, and fisheries, due to alterations in temperature, precipitation, CO_2 fertilization, and other climate effects;
- human health impacts, including cardiovascular and respiratory mortality from heat-related illnesses, changing disease vectors like malaria and dengue fever, increased diarrhea, and changes in associated pollution;
- changes in fresh water availability;

[8] *Id.* at 1217.

[9] *High Country Conservation Advocates v. U.S. Forest Service*, 52 F. Supp. 3d 1174, 1182 (D. Colo. 2014); *accord. Johnston v. Davis*, 698 F.2d 1088, 1094-95 (10th Cir. 1983) (disapproving of "misleading" statements resulting in "an unreasonable comparison of alternatives"); *Hughes River Watershed Conservancy v. Glickman*, 81 F.3d 437, 446 (4th Cir. 1996) ("For an EIS to serve these functions" of taking a hard look and allowing the public to play a role in decisionmaking, "it is essential that the EIS not be based on misleading economic assumptions"); *see also Sierra Club v. Sigler*, 695 F.2d 957, 979 (5th Cir. 1983) (holding that an agency's "skewed cost-benefit analysis" was "deficient under NEPA"); *see generally Bus. Roundtable v. SEC*, 647 F.3d 1144, 1148-49 (D.C. Cir. 2011) (criticizing an agency for "inconsistently and opportunistically fram[ing] the costs and benefits of the rule" and for "fail[ing] adequately to quantify the certain costs or toe explain why those costs could not be quantified").

[10] These impacts are all included to some degree in the three integrated assessment models (IAMs) used by the IWG (namely, the DICE, FUND, and PAGE models), though some impacts are modeled incompletely, and many other important damage categories are currently omitted from these IAMs. *Compare* Interagency Working Group on the Social Cost of Carbon, *Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis* at 6-8, 29-33 (2010), https://obamawhitehouse.archives.gov/sites/default/files/omb/inforeg/for-agencies/Social-Cost-of-Carbon-for-RIA.pdf [hereinafter 2010 TSD]; *with* Peter Howard, *Omitted Damages: What's Missing from the Social Cost of Carbon* (Cost of Carbon Project Report, 2014), http://costofcarbon.org/files/Omitted_Damages_Whats_Missing_From_the_Social_Cost_of_Carbon.pdf. For other lists of actual climate effects, including air quality mortality, extreme temperature mortality, lost labor productivity, harmful algal blooms, spread of west nile virus, damage to roads and other infrastructure, effects on urban drainage, damage to coastal property, electricity demand and supply effects, water supply and quality effects, inland flooding, lost winter recreation, effects on agriculture and fish, lost ecosystem services from coral reefs, and wildfires, *see* EPA, *Multi-Model Framework for Quantitative Sectoral Impacts Analysis: A Technical Report for the Fourth National Climate Assessment* (2017); U.S. Global Change Research Program, *Climate Science Special Report: Fourth National Climate Assessment* (2017); EPA, *Climate Change in the United States: Benefits of Global Action* (2015); Union of Concerned Scientists, *Underwater: Rising Seas, Chronic Floods, and the Implications for U.S. Coastal Real Estate* (2018).

- ecosystem service impacts;
- impacts to outdoor recreation and other non-market amenities; and
- catastrophic impacts, including potentially rapid sea-level rise, damages at very high temperatures, or unknown events.

Even in combination with a general, qualitative discussion of climate change, by calculating only the tons of greenhouse gases emitted or a percent comparison to sectoral or national emissions, an agency fails to meaningfully assess the actual incremental impacts to property, human health, productivity, and so forth.[11] An agency therefore falls short of its legal obligations and statutory objectives by focusing just on volume estimates. Similarly, courts have held that just quantifying the acres of timber to be harvested or the miles of road to be constructed does not constitute a "description of *actual* environmental effects," even when paired with a qualitative "list of environmental concerns such as air quality, water quality, and endangered species," when the agency fails to assess "the degree that each factor will be impacted."[12] Not only has BLM failed to assess the degree to which each category of climate damages will be impacted by the program, but BLM does not even qualitatively list all the environmental concerns and instead tries to rely on a vague reference to the entire body of literature on climate change.[13]

By monetizing climate damages using the social cost of greenhouse gas metrics, BLM can satisfy the legal obligations and statutory goals to assess the incremental and actual effects bearing on the public interest. The social cost of greenhouse gas methodology calculates how the emission of an additional unit of greenhouse gases affects atmospheric greenhouse concentrations, how that change in atmospheric concentrations changes temperature, and how that change in temperature incrementally contributes to the above list of economic damages, including property damages, energy demand effects, lost agricultural productivity, human mortality and morbidity, lost ecosystem services and non-market amenities, and so forth.[14] The social cost of greenhouse gas tool therefore captures the factors that actually affect public welfare and assesses the degree of impact to each factor, in ways that just estimating the volume of emissions cannot.

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[11] *See High Country*, 52 F. Supp. 3d at 1190 ("Beyond quantifying the amount of emissions relative to state and national emissions and giving general discussion to the impacts of global climate change, [the agencies] did not discuss the impacts caused by these emissions."); *Mont. Envtl. Info. Ctr. v. U.S. Office of Surface Mining*, 274 F. Supp. 3d 1074, 1096–99 (D. Mont. 2017) (rejecting the argument that the agency "reasonably considered the impact of greenhouse gas emissions by quantifying the emissions which would be released if the [coal] mine expansion is approved, and comparing that amount to the net emissions of the United States").

[12] *Klamath-Siskiyou Wildlands Ctr. v. Bureau of Land Mgmt.*, 387 F.3d 989, 995 (9th Cir. 2004) ("A calculation of the total number of acres to be harvested in the watershed is . . . not a sufficient description of the actual environmental effects that can be expected from logging those acres."); *see also Oregon Natural Res. Council v. Bureau of Land Mgmt.*, 470 F.3d 818 (9th Cir. 2006). Similarly, the U.S. Court of Appeals for the D.C. Circuit has found that merely listing "the quantity of . . . heat, chemicals, and radioactivity released" is insufficient under NEPA if the agency "does not reveal the meaning of those impacts in terms of human health or other environmental values." NRDC v. U.S. Nuclear Reg. Comm'n, 685 F.2d 459, 487 (D.C. Cir. 1982), rev'd sub nom. on other grounds Baltimore Gas & Elec. Co., 462 U.S. at 106-07 ("agree[ing] with the Court of Appeals that NEPA requires an EIS to disclose the significant health, socioeconomic, and cumulative consequences of the environmental impact of a proposed action," but finding that the specific "consequences of effluent releases" could be assessed at a subsequent stage in the particular proceeding under review).

[13] *See* DEIS at 3-9. ("The potential cumulative climate impacts of global development and associated GHG emissions have been discussed extensively in the published literature, including several reports by the Intergovernmental Panel on Climate Change and numerous scientific journals, and therefore, are not repeated here.").

[14] 2010 TSD, *supra* note 10, at 5.

Climate Damages Depend on Stock and Flow, But Volume Estimates Only Measure Flow

The climate damage generated by each additional ton of greenhouse gas emissions depends on the background concentration of greenhouse gases in the global atmosphere. Once emitted, greenhouse gases can linger in the atmosphere for centuries, building up the concentration of radiative-forcing pollution and affecting the climate in cumulative, non-linear ways.[15] As physical and economic systems become increasingly stressed by climate change, each marginal additional ton of emissions has a greater, non-linear impact. The climate damages generated by a given amount of greenhouse pollution is therefore a function not just of the pollution's total volume but also the year of emission, and with every passing year an additional ton of emissions inflicts greater damage.[16]

As a result, focusing just on the volume or rate of emissions, as BLM does here,[17] is insufficient to reveal the incremental effect on the climate. The change in the rate of emissions (flow) must be assessed given the background concentration of emissions (stock). A percent comparison to national emissions is perhaps even more misleading. A proposed action that adds 23 million additional tons per year of carbon dioxide would have contributed to 0.43% of total U.S. carbon dioxide emissions in the year 2012.[18] In the year 2014, that same proposed action with the same carbon pollution would have contributed to just 0.41% of total U.S. carbon dioxide emissions—a seemingly smaller relative effect, since the total amount of U.S. emissions increased from 2012 to 2014.[19] However, because of rising background concentrations of global greenhouse gas stock, and because of growing stresses in physical and economic systems, the marginal climate damages per ton of carbon dioxide (as measured by the social cost of carbon) increased from $33 in 2012 to $35 in 2014 (in 2007$).[20] Consequently, those 23 million additional tons would have caused marginal climate damages costing $759 million in the year 2012, but by 2014 that same 23 million tons would have caused $805 million in climate damages. To summarize: the percent comparison to national emissions misleadingly implied that a proposed action adding 23 million more tons of carbon dioxide would have a relatively less significant effect in 2014 than in 2012, whereas monetizing climate damages would accurately reveal that the emissions in 2014 were much more damaging than the emissions in 2012—almost $50 million more.

Capturing how marginal climate damages change as the background concentration changes is especially important because NEPA requires assessing both present and future impacts.[21] Different alternatives can have different greenhouse gas consequences over time. Most simply, different alternatives could have different start dates or other consequential changes in timing. BLM takes an inconsistent approach to time scales in its analysis, which misrepresents the damages caused by greenhouse gas emissions over the projected 70-year lifetime of fossil fuel development in the Coastal Plain. For direct emissions,

[15] Carbon dioxide also has cumulative effects on ocean acidification, in addition to cumulative radiative-forcing effects.

[16] *See* 2010 TSD, *supra* note 10, at 33 (explaining that the social cost of greenhouse gas estimates grow over time).

[17] DEIS at 3-7, 3-8.

[18] Total U.S. carbon dioxide emissions in 2012 were 5,366.7 million metric tons (for all greenhouse gases, emissions were 6,529 MMT CO2 eq). *See* EPA, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2016* at ES-6, tbl. ES-2 (2018).

[19] Total U.S. carbon dioxide emissions in 2014 were 5,568.8 million metric tons (and for all greenhouse gases, 6,763 MMT CO2 eq.) *Id.*

[20] Interagency Working Group on the Social Cost of Greenhouse Gases, *Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis* at 25 tbl. A1 (2016) (calculating the central estimate at a 3% discount rate), https://obamawhitehouse.archives.gov/sites/default/files/omb/inforeg/scc_tsd_final_clean_8_26_16.pdf [hereinafter 2016 TSD].

[21] NEPA requires agencies to weigh the "relationship between local short-term uses of man's environment and the maintenance and enhancement of long-term productivity," as well as "any irreversible and irretrievable commitments of resources." 42 U.S.C. § 4332(2)(C).

the agency compresses the timeline of emissions to 37 years, based on the analysis for the Greater Mooses Tooth 2 project, even though Coastal Plain development is expected to extend 50-100 years, or longer. Meanwhile, for downstream emissions, BLM only presents an annual emissions figure as over 70 years. Both estimates obscure the fact that the year of emissions matters, as the same annual tons of emissions will cause more climate damages in a future year, when background greenhouse gas concentrations have increased. For example, 5 million metric tons of carbon dioxide emitted in 2020 will cause $255 million in damages, while 5 million metric tons of carbon dioxide emitted in 2050 will cause $418 million in damages.[22] For the reasons explained above, calculating volumes or percentages, especially on an average annual basis, is insufficient to accurately compare the climate damages of proposed alternatives with varying greenhouse gas emissions over time.

By factoring in projections of the increasing global stock of greenhouse gases as well as increasing stresses to physical and economic systems, the social cost of greenhouse gas metrics enable accurate and transparent comparisons of proposed actions with varying greenhouse gas emissions over time.

Monetization Provides the Required Informational Context that Volume Estimates Lack

NEPA requires sufficient informational context. Yet without proper context, numbers like a 0.08% increase in total U.S. emissions from the program's estimated downstream emissions[23] will be misinterpreted by people as meaningless, as zero. Indeed, in a country of over 300 million people and over 6.5 billion tons of annual greenhouse gas emissions, it is far too easy to make highly significant effects appear relatively trivial.[24] For example, presenting all weather-related deaths as less than 0.1% of total U.S. deaths makes the risk of death by weather event sound trivial, but in fact that figure represents over 2,000 premature deaths per year[25]—hardly an insignificant figure.[26]

Economic theory explains why monetization is a much better tool than volume estimates or percent comparisons to provide the necessary contextual information on climate damages. For example, many decisionmakers and interested citizens would wrongly reduce down to zero the climate risks associated with a 0.08% of U.S. emissions,[27] simply due to the leading zero before the decimal in that percentage. As Professor Cass Sunstein has explained—drawing from the work of recent Nobel laureate economist Richard Thaler—a well-documented mental heuristic called "probability neglect" causes people to irrationally reduce small probability risks entirely down to zero.[28] People have significant "difficulty understanding a host of numerical concepts, especially risks and probabilities."[29] Characterizing an annual contribution of over 5 million metric tons of carbon dioxide equivalent from downstream oil and

[22] When calculating the total present value of the entire stream of future climate damages, damages caused by pollution emitted in future years must be discounted back to present value.

[23] DEIS at 3-8.

[24] California CEQA guidance, "A project's incremental contribution may be cumulatively considerable even if it appears relatively small compared to statewide, national or global emissions."

[25] *Compare* Nat'l Ctr. for Health Stat., Ctrs. for Disease Control & Prevention, *Death Attributed to Heat, Cold, and Other Weather Events in the United States, 2006-2010* at 1 (2014) (reporting about 2000 weather-related deaths per year) *with* Nat'l Ctr. for Health Stat., *Deaths and Mortality*, https://www.cdc.gov/nchs/fastats/deaths.htm (reporting about 2.7 million U.S. deaths per year total).

[26] The public willingness to pay to avoid mortality is typically estimated at around $9.6 million (in 2016$). E.g., 83 Fed. Reg. 12,086, 12,098 (Mar. 19, 2018) (U.S. Coast Guard rule using the Department of Transportation's value of statistical life in a recent analysis of safety regulations). Losing 2,000 lives prematurely to weather-related events is equivalent to a loss of public welfare worth over $19 billion per year.

[27] DEIS at 3-8.

[28] Cass R. Sunstein, *Probability Neglect: Emotions, Worst Cases, and Law*, 112 Yale L. J. 61, 63, 72 (2002).

[29] Valerie Reyna & Charles Brainerd, *Numeracy, Ratio Bias, and Denominator Neglect in Judgments of Risk and Probability*, 18 Learning & Individual Differences 89 (2007).

gas activity as just 0.08% of U.S. emissions misleadingly makes the climate impacts appear vanishingly small. By comparison, by applying the social cost of carbon dioxide (about $51 per ton for year 2020 emissions in 2017$[30]), decisionmakers and the public can readily comprehend that a 5 million ton increase of carbon dioxide emitted just in the year 2020 will generate over $255 million in climate damages.[31]

Similarly, many people will be unable to distinguish the significance of proposed alternatives or scenario analyses with different emissions: for example, 56,739 metric tons per year of greenhouse gases versus 387,261 metric tons per year of greenhouse gases from direct emissions.[32] As the Environmental Protection Agency's website explains, "abstract measurements" of so many tons of greenhouse gases can be rather inscrutable for the public, unless "translat[ed] . . . into concrete terms you can understand."[33] Abstract volume estimates fail to give people the required informational context due to another well-documented mental heuristic called "scope neglect." Scope neglect, as explained by Nobel laureate Daniel Kahneman, among others, causes people to ignore the size of a problem when estimating the value of addressing the problem. For example, in one often-cited study, subjects were unable to meaningfully distinguish between the value of saving 2,000 migratory birds from drowning in uncovered oil ponds, as compared to saving 20,000 birds.[34]

Scope neglect means many decisionmakers and members of the public would be unable to meaningfully distinguish between the climate risks of 56,739 versus 378,261 metric tons of CO_2e. While decisionmakers and the public certainly can discern that one number is higher, without any context it may be difficult to weigh the relative magnitude of the climate risks. In contrast, the different climate risks would have been readily discernible through application of the social cost of greenhouse gas metrics. In this example, while the difference between 56,739 versus 378,261 metric tons may seem trivial, in fact those millions of extra tons of CO_2e emitted in a single year will inflict over $16 million in climate damages.[35]

In general, non-monetized effects are often irrationally treated as worthless.[36] On several occasions, courts have struck down administrative decisions for failing to give weight to non-monetized effects.[37] Most relevantly, in *Center for Biological Diversity v. NHTSA*, the U.S. Court of Appeals for the Ninth Circuit found it arbitrary and capricious to give zero value "to the most significant benefit of more stringent [fuel economy] standards: reduction in carbon emissions."[38] Monetizing climate damages provides the informational context required by NEPA, whereas a simple tally of emissions volume and

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[30] 2016 TSD, *supra* note 20.

[31] This calculation in no way accepts BLM's quantification of only 5 MMTCO2e for annual average emissions as accurate or complete. A higher estimate of downstream emissions, based on different and perhaps more reasonable assumptions and modeling, would produce a higher monetized damage figure. Also note that in a proper cost-benefit analysis, future costs and benefits would be discounted to present value.

[32] DEIS at 3-8 (comparing annual GHGs from the low-end and high-end cases for indirect emissions). Use of these numbers in no way accepts BLM's calculations as accurate or complete.

[33] EPA, *Greenhouse Gas Equivalencies Calculator*. *Available at* https://web.archive.org/web/20180212182940/https:/www.epa.gov/energy/greenhouse-gas-equivalencies-calculator (last updated Sept. 2017) ("Did you ever wonder what reducing carbon dioxide (CO_2) emissions by 1 million metric tons means in everyday terms? The greenhouse gas equivalencies calculator can help you understand just that, translating abstract measurements into concrete terms you can understand.").

[34] Daniel Kahneman et al., *Economic Preferences or Attitude Expressions? An Analysis of Dollar Responses to Public Issues*, 19 J. Risk & Uncertainty 203, 212-213 (1999).

[35] 2016 TSD Addendum (social cost of methane in 2028 is $1500 in 2007$; converted to current dollars, is $1870).

[36] Richard Revesz, *Quantifying Regulatory Benefits*, 102 Cal. L. Rev. 1424, 1434-35, 1442 (2014).

[37] *See id.* at 1428, 1434.

[38] 538 F.3d at 1199.

rote, qualitative, generic description of climate change are misleading and fail to give the public and decisionmakers the required information about the magnitude of discrete climate effects.[39]

Climate Effects Must Be Monetized If Other Costs and Benefits Are Monetized

Though NEPA does not always require a full and formal cost-benefit analysis,[40] agencies' approaches to assessing costs and benefits must be balanced and reasonable. Courts have warned agencies, for example, that "[e]ven though NEPA does not require a cost-benefit analysis," an agency cannot selectively monetize benefits in support of its decision while refusing to monetize the costs of its action.[41]

In *High Country Conservation Advocates v. Forest Service*, the U.S. District Court of Colorado found that it was "arbitrary and capricious to quantify the *benefits* of the lease modifications and then explain that a similar analysis of the *costs* was impossible when such an analysis was in fact possible."[42] The court explained that, to support a decision on coal mining activity, the agencies had "weighed several specific economic benefits—coal recovered, payroll, associated purchases of supplies and services, and royalties," but arbitrarily failed to monetized climate costs using the readily available social cost of carbon protocol.[43] Similarly, in *Montana Environmental Information Center v. Office of Surface Mining* (*MEIC v. OSM*), the U.S. District Court of Montana followed the lead set by *High Country* and likewise held an environmental assessment to be arbitrary and capricious because it quantified the benefits of action (such as employment payroll, tax revenue, and royalties) while failing to use the social cost of carbon to quantify the costs.[44]

High Country and *MEIC v. OSM* were simply the latest applications of a broader line of case law in which courts find it arbitrary and capricious to apply inconsistent protocols for analyzing some effects compared to others, especially when the inconsistency obscures some of the most significant effects.[45] For example, in *Center for Biological Diversity v. National Highway Traffic Safety Administration*, the U.S.

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[39] *See* 42 U.S.C. § 4332(2)(B) (requiring agencies to "identify and develop methods and procedures . . . which will insure that presently unquantified environmental amenities and values may be given appropriate consideration in decisionmaking along with economic and technical considerations").

[40] 40 C.F.R. § 1502.23 ("[T]he weighing of the merits and drawbacks of the various alternatives need not be displayed in a monetary cost-benefit analysis."); *but see e.g.*, *Sierra Club v. Sigler*, 695 F.2d 957, 978-79 (5th Cir. 1983) (holding that NEPA "mandates at least a broad, informal cost-benefit analysis," and so agencies must "fully and accurately" and "objectively" assess environmental, economic, and technical costs); *Chelsea Neighborhood Ass'ns v. U.S. Postal Serv.*, 516 F.2d 378, 387 (2d Cir. 1975) ("NEPA, in effect, requires a broadly defined cost-benefit analysis of major federal activities."); *Calvert Cliffs' Coordinating Comm. v. U.S. Atomic Energy Comm'n*, 449 F.2d 1109, 1113 (D.C. Cir. 1971) ("NEPA mandates a rather finely tuned and 'systematic' balancing analysis" of "environmental costs" against "economic and technical benefits"); *Nat'l Wildlife Fed. v. Marsh*, 568 F. Supp. 985, 1000 (D.D.C. 1983) ("The cost-benefit analysis of NEPA is concerned primarily with environmental costs. . . . A court may examine the cost-benefit analysis only as it bears upon the function of insuring that the agency has examined the environmental consequences of a proposed project.").

[41] *High Country Conservation Advocates*, 52 F. Supp. 3d at 1191; *accord. MEIC v. Office of Surface Mining*, 274 F. Supp. 3d at 1094-99 (holding it was arbitrary for the agency to quantify benefits in an EIS while failing to use the social cost of carbon to quantify costs, as well as arbitrary to imply there would be no effects from greenhouse gas emissions).

[42] 52 F. Supp. 3d at 1191.

[43] *Id.*

[44] 274 F. Supp. 3d at 1094-99 (also holding that it was arbitrary to imply that there would be zero effects from greenhouse gas emissions).

[45] Other cases from different courts that have declined to rule against failures to use the social cost of carbon in NEPA analyses are all distinguishable by the scale of the action or by whether other effects were quantified and monetized in the analysis. *See League of Wilderness Defenders v. Connaughton*, No. 3:12-cv-02271-HZ (D. Ore., Dec. 9, 2014*); EarthReports v. FERC*, 15-1127, (D.C. Cir. July 15, 2016); *WildEarth Guardians v. Zinke*, 1:16-CV-00605-RJ, at 23-24, (D. N.M. Feb. 16, 2017).

Court of Appeals for the Ninth Circuit ruled that, because the agency had monetized other uncertain costs and benefits of its vehicle fuel efficiency standard—like traffic congestion and noise costs—its "decision not to monetize the benefit of carbon emissions reduction was arbitrary and capricious."[46] Specifically, it was arbitrary to "assign[ ] no value to *the most significant benefit* of more stringent [vehicle fuel efficiency] standards: reduction in carbon emissions."[47] When an agency bases a decision on cost-benefit analysis, it is arbitrary to "put a thumb on the scale by undervaluing the benefits and overvaluing the costs."[48] Similarly, the U.S. Court of Appeals for the District of Columbia Circuit has chastised agencies for "inconsistently and opportunistically fram[ing] the costs and benefits of the rule [and] fail[ing] adequately to quantify certain costs or to explain why those costs could not be quantified"[49]; and the U.S. Court of Appeals for the Tenth Circuit has remanded an environmental impact statement because "unrealistic" assumptions "misleading[ly]" skewed comparison of the project's positive and negative effects.[50]

The DEIS monetizes economic benefits similar to those highlighted in *High Country* and *MEIC*, including direct and indirect labor earnings,[51] and government revenues, such as taxes and royalties.[52] BLM seemingly tries to skirt the precedent set by *MEIC v. OSM* by identifying these economic benefits as "economic impacts." The DEIS reads, "[a]ny increased economic activity that is expected to occur with the proposed action is simply an economic impact, rather than an economic benefit."[53] However, in *MEIC v. OSM*, the District Court of the District of Montana dismissed this same argument as "a distinction without a difference."[54] Despite BLM's attempts to use terminology to distinguish the impacts it wants to monetize from those impacts it would prefer not to monetize, NEPA regulations group all these impacts under the same category of "effects": economic and social impacts are listed as "effects" alongside ecological and health impacts, and all these effects must be discussed in as much detail as possible in an environmental impact statement.[55]

Moreover, the economic benefits in the DEIS do, in fact, capture social benefits of fossil fuel development in the Coastal Plan. Specifically, the calculations of government revenue from oil and gas rely on the estimated market value of these fossil fuels to be recovered under the DEIS. In a competitive market, like for oil or gas, the market price reflects aggregate willingness to pay based on social utility. Therefore, in calculating revenue, BLM has presented a monetized estimate of the supposed social benefits of the fossil fuel development under the Coastal Plain leasing program. Consequently, BLM must also use readily available tools to monetize the social costs of the fossil fuel development. It is arbitrary to apply inconsistent protocols for analysis of some effects compared to others, and to monetize some effects but not others that are equally monetizeable.

The DEIS also takes an arbitrarily inconsistent approach by monetizing economic benefits like royalties without applying an energy substitution analysis, while using substitution analysis to make downstream climate effects appear small. The DEIS reports that it has used BOEM's MarketSim analysis to conclude that if, under the no action alternative, leasing and oil supply from the Coastal Plain is reduced,

[46] 538 F.3d 1172, 1203 (9th Cir. 2008).

[47] *Id.* at 1199.

[48] *Id.* at 1198.

[49] *Bus. Roundtable v. SCC*, 647 F.3d 1144, 1148-49 (D.C. Cir. 2011)

[50] *Johnston v. Davis*, 698 F.2d 1088, 1094–95 (10th Cir. 1983)

[51] DEIS at 3-235

[52] DEIS at 3-236

[53] DEIS at F-3.

[54] *Supra* note 41 at 40.

[55] 40 C.F.R. §1508.8.

substitute energy sources like increased oil imports will fill in most of the shortfall, with U.S. oil demand only decreasing by about 3.9%.[56] The DEIS's estimate of the reduction in downstream greenhouse gas emissions under the no action alternative greatly depends on that substitution analysis; had BLM instead assumed that every barrel of oil not leased under the no action alternative would result in a barrel of oil not consumed, the estimate for downstream emission would be substantially higher.

Putting aside any critiques of the methodology for substitution analysis—and note that BLM has not posted for public review the documentation for its substitution analysis[57] to its ePlanning docket[58]—it appears that BLM did not apply a comparable substitution analysis to its monetization of economic benefits. The DEIS provides only a vague description of how it calculated royalty revenue, and the document it relies on, Northern Economics Inc. 2018,[59] has not been made available to the public. The DEIS suggests that royalties were calculated based on production volumes,[60] and given royalty rates and the DEIS's assumptions about the price of oil, the estimated $43 billion in royalties likely derives from an estimated production of 3.4 billion barrels,[61] which corresponds to the EIA estimate for the total barrels for Arctic Refuge production.[62] Consequently, it would seem that for the purposes of calculating royalties, BLM is using the region's total production figures, is not applying substitution analysis, and is not assuming that increased production from the Coastal Plain at least partly if not largely offsets other sources of energy. Yet according to the substitution analysis that BLM applies to estimate downstream emissions, every barrel leased from the Coastal Plain will come partly at the expense of, for example, production of oil and gas on other federally leased lands. Production from such other substitute sources would have also generated royalty and tax revenues. But while BLM uses assumptions about substitute energy sources to offset its estimates of downstream emissions, the agency does not offset its estimate of government revenue expected from this leasing action by the revenue that substitute energy sources would have provided. The result is an inconsistent methodological approach to the program's alleged monetized economic benefits versus the program's unmonetized climate costs, which may have the effect of overestimating benefits while underestimating costs.

II. The Social Cost of Greenhouse Gas Metric Is Appropriate for a Program with Emissions of this Magnitude

The DEIS claims that the social cost of greenhouse gas methodology is not appropriate for use outside of the rulemaking context and "does not measure the actual incremental impacts of a project on the environment."[63] These arguments are wrong, as other agencies have recently acknowledged.[64] The

[56] DEIS at 3-7.

[57] *See* DEIS at 3-7 (citing to a document labeled "BOEM 2018a"); *id.* at References-9 (citing to BOEM 2018a, "Market Substitutions and Greenhouse Gas Downstream Emissions Estimates for BLM's Coastal Plain Project. Bureau of Ocean Energy Management, white paper. Sterling, VA").

[58] https://eplanning.blm.gov/epl-front-office/eplanning/planAndProjectSite.do?methodName=dispatchToPatternPage&currentPageId=152110

[59] DEIS at 2-236.

[60] DEIS at 3-233

[61] The DEIS calculates $43 billion total royalties, $21.5B in federal royalties plus $21.5B in state royalties, from drilling through 2050. *Id.* at 3-236. At a 16.67% royalty rate, total wellhead value would be $258 billion. If oil is selling at about $75 per barrel over the period (West Coast crude was $75 as of August 2018, *id.* at 3-37), that means the agency is projecting that 3.4 billion barrels will be produced, and using that figure to calculate royalties.

[62] DEIS at 3-38.

[63] DEIS at F-3.

[64] *E.g.,* the Federal Energy Regulatory Commission has recently disclaimed this argument as a reason not to use the social cost of carbon, admitting that "[o]n further review, we accept that the Social Cost of Carbon methodology does constitute a tool that can be used to estimate incremental physical climate change impacts." [SMP Remand Order at P 48.]

social cost of greenhouse gas protocol is exactly such a tool to monetize the incremental climate impacts of specific programs, projects, or plans, and its use is not limited to rulemakings.

The most direct rebuttal of the DEIS's arguments against using the social cost of carbon come from within the Department of the Interior itself. BLM asked the Bureau of Ocean Energy Management for assistance in applying the MarketSim model to estimate the energy substitution effects of not leasing in the Coastal Plain. The resulting document, referred to in the DEIS as BOEM 2018a, *Market Substitutions and Greenhouse Gas Downstream Emissions Estimates for BLM's Coastal Plain Project*,[65] states that it is "appropriate to use" BOEM's greenhouse gas model entitled *OCS Oil and Natural Gas: Potential Lifecycle Greenhouse Gas Emissions and Social Cost of Carbon* to "calculate[e] the greenhouse gas emissions from the consumption of oil and gas from the Coastal Plain Project."[66] The reference to the social cost of carbon in the title of that model—which again, BLM has by incorporation effectively called an "appropriate" model for calculating the Coastal Plain's greenhouse gas emissions—is noteworthy. Digging deeper, the documentation for the model explains that: (1) the 2016 Interagency Working Group estimates "represent the best available information for scientific and economic analysis,"[67] (2) estimates of the social cost of carbon "allow agencies to incorporate the social benefits of reducing CO_2 emissions into [their] decision-making,"[68] and (3) BOEM was able to apply the 2016 Interagency Working Group values "to the total CO_2e emissions estimates described earlier in this report"[69]—in other words, BOEM applied the social cost of carbon to emissions from a non-rulemaking agency action involving the leasing of natural resources.

Yet the DEIS for the Coastal Plain leasing proposal overlooks all that and instead goes on to argue that "the dollar cost figure [from using the social cost of greenhouse gas metrics] is generated in a range and provides little benefit in assisting the BLM Authorized Officer's decision for program or project-level analyses, especially given that there are no current criteria or thresholds that determine a level of significance for social cost of carbon monetary values." Yet numerous other agencies have had no trouble applying the manageable range of estimates of the social cost of greenhouse gases to assess the significance of the climate impacts of their actions. NEPA requires BLM to use its judgment and available tools, and the agency cannot use uncertainty as a red herring to escape its statutory obligations.

Monetization Is Appropriate and Useful in Any Decision with Significant Climate Impacts, Not Just Regulations

Though the federal Interagency Working Group on the Social Cost of Greenhouse Gases originally developed its estimates of the social cost of greenhouse gases to harmonize the metrics used by agencies in their various regulatory impact analyses, there is nothing in the numbers' development that would limit applications to other decisionmaking contexts. The social cost of greenhouse gases measures the marginal cost of any additional unit of greenhouse gases emitted into the atmosphere. The government action that precipitated that unit of emissions—a regulation, the granting of a permit, or a project approval—is irrelevant to the marginal climate damages caused by the emissions. Whether

[65] DEIS at References-9.

[66] BOEM 2018a, *Market Substitutions and Greenhouse Gas Downstream Emissions Estimates for BLM's Coastal Plain Project*, at 6. Note that BLM has not made this summary document publicly available. We obtained a copy by special e-mail request.

[67] BOEM, *OCS Oil and Natural Gas: Potential Lifecycle Greenhouse Gas Emissions and Social Cost of Carbon* at 12 (2016), *available at* https://www.boem.gov/ocs-oil-and-natural-gas/.

[68] *Id.* at 13.

[69] *Id.* at 14.

emitted by a leaking pipeline or the extraction process, whether emitted because of a regulation or a resource management decision, whether emitted in Alaska or Maine, the marginal climate damages per unit of emissions remain the same. Indeed, the social cost of greenhouse gases has been used by many federal and state agencies in environmental impact reviews[70] and in resource management decisions.[71]

The Social Cost of Greenhouse Gas Metrics Provides a Tool to Assess the Significance of Individual Physical Impacts

The social cost of greenhouse gas methodology is well suited to measure the marginal climate damages of individual projects. These protocols were developed to assess the cost of actions with "marginal" impacts on cumulative global emissions, and the metrics estimate the dollar figure of damages for one extra unit of greenhouse gas emissions. This marginal cost is calculated using integrated assessment models. These models translate emissions into changes in atmospheric greenhouse concentrations, atmospheric concentrations into changes in temperature, and changes in temperature into economic damages. A range of plausible socio-economic and emissions trajectories are used to account for the scope of potential scenarios and circumstances that may actually result in the coming years and decades. The marginal cost is attained by first running the models using a baseline emissions trajectory, and then running the same models again with one additional unit of emissions. The difference in damages between the two runs is the marginal cost of one additional unit. The approach assumes that the marginal damages from increased emissions will remain constant for small emissions increases relative to gross global emissions. In other words, the monetization tools are in fact perfectly suited to measuring the marginal effects of individual projects or other discrete agency actions.

Some of the incremental impacts on the environment that the social cost of greenhouse gas protocol captures—and which the DEIS fails to meaningfully analyze—include property lost or damaged; impacts to agriculture, forestry, and fisheries; impacts to human health; changes in fresh water availability; ecosystem service impacts; impacts to outdoor recreation and other non-market amenities; and some catastrophic impacts, including potentially rapid sea-level rise, damages at very high temperatures, or unknown events.[72] A key advantage of using the social cost of greenhouse gas tool is that each physical

[70] For example, in August 2017, the Bureau of Ocean Energy Management called the social cost of carbon "a useful measure to assess the benefits of CO2 reductions and inform agency decisions," and applied the metric in an environmental impact statement to monetize the emissions difference of about 5 million metric tons per year between the proposed oil and gas development project and the no-action baseline, *Draft Environmental Impact Statement—Liberty Development Project in the Beaufort Sea, Alaska* at 3-129, 4-50 (2017). More generally, agencies have used IWG's social cost of greenhouse gas estimates not only in scores of rulemakings but also in NEPA analyses for resource management decisions. *See* Peter Howard & Jason Schwartz, *Think Global: International Reciprocity as Justification for a Global Social Cost of Carbon*, 42 Columbia J. Envtl. L. 203, 270-84 (2017) (listing all uses by federal agencies through July 2016).

[71] States have used the social cost of greenhouse gases in decisions about electricity planning. *See* Iliana Paul et al., *The Social Cost of Greenhouse Gases and State Policy: A Frequently Asked Questions Guide* (Policy Integrity Report, 2017), http://policyintegrity.org/files/publications/SCC_State_Guidance.pdf.

[72] These impacts are all included to some degree in the three integrated assessment models (IAMs) used by the IWG (namely, the DICE, FUND, and PAGE models), though some impacts are modeled incompletely, and many other important damage categories are currently omitted from these IAMs. *Compare* Interagency Working Group on the Social Cost of Carbon, *Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis* at 6-8, 29-33 (2010), https://obamawhitehouse.archives.gov/sites/default/files/omb/inforeg/for-agencies/Social-Cost-of-Carbon-for-RIA.pdf [hereinafter 2010 TSD]; *with* Peter Howard, *Omitted Damages: What's Missing from the Social Cost of Carbon* (Cost of Carbon Project Report, 2014), http://costofcarbon.org/files/Omitted_Damages_Whats_Missing_From_the_Social_Cost_of_Carbon.pdf. For other lists of actual climate effects, including air quality mortality, extreme temperature mortality, lost labor productivity, harmful algal blooms, spread of west nile virus, damage to roads and other infrastructure, effects on urban drainage, damage to coastal property, electricity demand and supply effects, water supply and quality effects, inland flooding, lost winter recreation, effects on agriculture and fish, lost ecosystem services from coral reefs, and wildfires, *see* EPA, *Multi-Model*

impact—such as sea-level rise and increasing temperatures—need not be assessed in isolation. Instead, the social cost of greenhouse gas tool conveniently groups together the multitude of climate impacts and, consistent with NEPA regulations,[73] enables agencies to assess whether all those impacts are cumulatively significant and to then compare those impacts with other impacts or alternatives using a common metric.

The Tons of Greenhouse Gas Emissions at Stake Here Are Clearly Significant

BLM quantifies that downstream greenhouse gas emissions from this program could reach millions of metric tons per year.[74] But BLM refuses to take the straightforward next step of applying the social cost of greenhouse gas values to those quantified tons. Furthermore, BLM claims that "there are no current criteria or thresholds that determine a level of significance for social cost of carbon monetary values."[75] In making this claim, BLM implies that it cannot rely on its professional judgement to make a reasonable determination of significance, which is inconsistent with how BLM approaches other such determinations and with the practice of other federal agencies in making similar decisions.

While there may not be a bright-line test for significance, the emissions BLM estimates for this program are clearly significant and warrant monetization. This is especially true since, once emissions have been quantified, the additional step of monetization through application of the Interagency Working Group's 2016 estimates entails a simple arithmetic calculation.[76] It is difficult to understand how NEPA's mandate that an agency take a "hard look" at the environmental impacts of its actions can be satisfied if BLM fails to analyze the impacts of the greenhouse gas emissions that it quantifies.

In *High Country*, the District Court for the District of Colorado found that it was arbitrary for the Forest Service not to monetize the "1.23 million tons of carbon dioxide equivalent emissions [from methane] the West Elk mine emits annually."[77] That suggests a threshold for monetization well below what BLM estimates here. In *MEIC v. OSM*, the District Court for the District of Montana found it was arbitrary for the Office of Surface Mining not to monetize the 23.16 million metric tons, which constituted "approximately 0.35 percent of the total U.S. emissions."[78] In *Center for Biological Diversity*, the Ninth Circuit found that it was arbitrary for the Department of Transportation not to monetize the 35 million metric ton difference in lifetime emissions from increasing the fuel efficiency of motor vehicles:[79] given the estimated lifetime of vehicles sold in the years 2008-2011 (sometimes estimated at about 15 years on average), this could represent as little 2 million metric tons per year. In a recent environmental impact statement from the Bureau of Ocean Energy Management published in August 2017, the agency explained that the social cost of carbon was "a useful measure" to apply to a NEPA analysis of an action

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Framework for Quantitative Sectoral Impacts Analysis: A Technical Report for the Fourth National Climate Assessment (2017); U.S. Global Change Research Program, *Climate Science Special Report: Fourth National Climate Assessment* (2017); EPA, *Climate Change in the United States: Benefits of Global Action* (2015); Union of Concerned Scientists, *Underwater: Rising Seas, Chronic Floods, and the Implications for U.S. Coastal Real Estate* (2018).

[73] 40 C.F.R. § 1508.27(b)(7) (explaining that actions can be significant if related to individually insignificant but cumulatively significant impacts).

[74] DEIS at 3-8. Given errors and inconsistencies in BLM's energy substitution analysis and other methodologies for quantifying emissions, total quantified emissions from the action alternatives could be much higher than what the DEIS reports.

[75] DEIS at F-4.

[76] Agencies simply need to multiply their estimate of tons in each year by the IWG's 2016 values for the corresponding year of emissions (adjusted for inflation to current dollars). If the emissions change occurs in the future, agencies would then discount the products back to present value.

[77] 52 F. Supp. 3d at 1191 (quoting an e-mail comment on the draft statement for the quantification of tons).

[78] *MEIC v. Office of Surface Mining* at 36-37.

[79] 538 F.3d at 1187.

anticipated to have a difference in greenhouse gas emissions compared to the no-action baseline of about 25 million metric tons over a 5-year period,[80] or about 5 million metric tons per year. BLM's estimates of emissions from this program are comparable to or exceed the emissions from other projects and cases where monetization of emissions has been found useful or legally required. The downstream emissions alone clearly warrant monetization.

Under any reasonable application of the social cost of greenhouse gas metrics, the upstream and downstream emissions from fossil fuel development per the Coastal Plain DEIS will cause hundreds of millions of dollars in climate damages. Tellingly, BLM had no problem concluding in its DEIS that it was appropriate to monetize, for example, $10 million in indirect labor income from exploration.[81] A potential climate cost of hundreds of millions of dollars is also clearly significant, particularly in the context of a document the very purpose of which is to evaluate a proposed action's *environmental* impacts.[82]

Finally, while BLM claims that there are no criteria to determine the significance of climate damages once they are monetized,[83] BLM routinely evaluates the relative importance of monetized benefits, weighing them against qualitative impacts. For example, the DEIS explains that a "drop in oil prices in late 2014 resulted in a *significant* decline in State government revenues"[84]; the DEIS reports that the portion of capital and operating costs to be paid to Alaskan companies would be "significant"[85]; and the DEIS weighs monetized values like income and revenue against qualitative impacts like noise in determining the "overall" and "lasting effects" on subsistence uses and resources.[86] Translating over 5 million metric tons per year of operational, upstream, and downstream emissions into over $250 million per year in climate damages certainly would have contextualized the impact, making it more accessible to the public and decisionmakers, and aiding BLM's significance determination. It is arbitrary for BLM to ascribe significance to certain monetized values and yet claim it is impossible to determine the significance of monetized climate damages.

Omitted Categories of Damages Should Be Discussed Qualitatively

BLM faults the social cost of carbon for failing to include "all damages or benefits from carbon emissions."[87] Alleged benefits of carbon emissions, such as from increased fertilization, are in fact already included in the IWG's estimates and are probably even overstated in those estimates. Many of the assumptions about climate benefits built into the integrated assessment models used by the IWG are now outdated; for example, recent work demonstrates that the benefits to agriculture from climate change assumed by the developers of FUND are, in fact, far lower.[88] Other research has also shown that

[80] BOEM, *Liberty Development and Production Plan Draft EIS* at 3-129, 4,50 (2017) (89,940,000 minus 64,570,000 is about 25 million).

[81] DEIS at 3-235.

[82] See California CEQ guidance ("economic and social effects of a physical change may be used to determine that the physical change is a significant effect on the environment.").

[83] DEIS at F-4.

[84] DEIS at 3-230 (emphasis added).

[85] DEIS at 2-233.

[86] DEIS at 3-169, 3-170, 3-174 (citing Section 3.4.10 for income effects to Kaktovik), 3-175, 3-236 (monetizing tax revenue to the NSB government).

[87] DEIS at F-3.

[88] F.C. Moore et al., *New science of climate change impacts on agriculture implies higher social cost of carbon*, 8 Nature Communications 1607 (2017).

the predicted amenity benefits from climate change, like agricultural benefits, are also highly controversial.[89]

As for omitted damages, there certainly are key damages, including catastrophic outcomes, that are not yet fully monetized in the IWG's social cost of greenhouse gas estimates. In fact, one reason that IWG published not only "central" estimates but also estimates from the 95th percentile of the distribution was to reflect that omitted damage categories could significantly increase the estimates. As noted above, the social cost of greenhouse gases should be seen as a conservative lower-bound estimate of the greenhouse gas impacts. Even while this metric represents the best and most rigorous effort that the U.S. government has engaged in thus far to realistically quantify the impacts of these emissions, it is very likely to underrepresent the true extent of those impacts. Indeed, we strongly encourage further efforts to make the social cost of greenhouse gases more robust.

Nevertheless, the fact that this metric does not capture the entire scope of greenhouse gas impacts does *not* mean that federal agencies should not use it. Rather, agencies should qualitatively discuss any significant omitted category of costs or benefits while continuing to use the IWG estimates as a lower bound of the costs of greenhouse gas emissions.[90]

III. BLM Should Use the Interagency Working Group's 2016 Estimates of the Social Cost of Carbon and the Social Cost of Methane

In 2016, the IWG published updated central estimates for the social cost of greenhouse gases: $50 per ton of carbon dioxide, $1440 per ton of methane, and $18,000 per ton of nitrous oxide (in 2017 dollars for year 2020 emissions).[91] Agencies must continue to use estimates of a similar or higher[92] value in their analyses and decisionmaking. A recent Executive Order disbanding the IWG does not change the fact that the IWG estimates still reflect the best available data and methodologies.

IWG's Methodology Is Rigorous, Transparent, and Based on Best Available Data

Beginning in 2009, the IWG assembled experts from a dozen federal agencies and White House offices to "estimate the monetized damages associated with an incremental increase in carbon emissions in a given year" based on "a defensible set of input assumptions that are grounded in the existing scientific and economic literature."[93] IWG's methods combined three frequently used models built to predict the economic costs of the physical impacts of each additional ton of carbon.[94] The models together incorporate such damage categories as: agricultural and forestry impacts, coastal impacts due to sea

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[89] Howard, *Omitted Damages, supra* note 10; W.M. Hannemann, *What Is the Economic Cost of Climate Change?* (2008); D. Maddison & K. Rehdanz, *The impact of climate on life satisfaction*, 70 Ecological Economics 2437-2445 (2011); K. Rehdanz & D. Maddison, *Climate and happiness*, 52 Ecological Economics 111-125 (2005).

[90] Howard and Sylvan (2015) and Pindyck (2016) find that that the general consensus is that damages are much higher than IAMs currently show, and as a consequence, so are their corresponding SCC estimates.

[91] U.S. Interagency Working Group on the Social Cost of Greenhouse Gases, "Technical support document: Technical update of the social cost of carbon for regulatory impact analysis under executive order 12866 & Addendum: Application of the methodology to estimate the social cost of methane and the social cost of nitrous oxide" (2016), available at https://obamawhitehouse.archives.gov/omb/oira/social-cost-of-carbon.

[92] See, e.g., Richard L. Revesz et al., Global Warming: Improve Economic Models of Climate Change, 508 NATURE 173 (2014) (explaining that current estimates omit key damage categories and, therefore, are very likely underestimates).

[93] IWG, *Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866* (2010) ("2010 TSD"). *Available at* https://obamawhitehouse.archives.gov/sites/default/files/omb/inforeg/for-agencies/Social-Cost-of-Carbon-for-RIA.pdf.

[94] *Id.* at 5. These models are DICE (the Dynamic Integrated Model of Climate and the Economy), FUND (the Climate Framework for Uncertainty, Negotiation, and Distribution), and PAGE (Policy Analysis of the Greenhouse Effect).

level rise, impacts from extreme weather events, impacts to vulnerable market sectors, human health impacts including malaria and pollution, outdoor recreation impacts and other non-market amenities, impacts to human settlements and ecosystems, and some catastrophic impacts.[95] IWG ran these models using a baseline scenario including inputs and assumptions drawn from the peer-reviewed literature, and then ran the models again with an additional unit of carbon emissions to determine the increased economic damages.[96] IWG's social cost of carbon estimates were first issued in 2010 and have been updated several times to reflect the latest and best scientific and economic data.[97]

Following the development of estimates for carbon dioxide, the same basic methodology was used in 2016 to develop the social cost of methane and social cost of nitrous oxide—estimates that captures the distinct heating potential of methane and nitrous oxide emissions.[98] These additional metrics used the same economic models, the same treatment of uncertainty, and the same methodological assumptions that IWG applied to the social cost of carbon, and these new estimates underwent rigorous peer-review.[99]

IWG's methodology has been repeatedly endorsed by reviewers. In 2014, the U.S. Government Accountability Office concluded that IWG had followed a "consensus-based" approach, relied on peer-reviewed academic literature, disclosed relevant limitations, and adequately planned to incorporate new information through public comments and updated research.[100] In 2016 and 2017, the National Academies of Sciences issued two reports that, while recommending future improvements to the methodology, supported the continued use of the existing IWG estimates.[101] And in 2016, the U.S. Court of Appeals for the Seventh Circuit held that the Department of Energy's reliance on IWG's social cost of carbon was reasonable.[102] It is, therefore, unsurprising that leading economists and climate policy experts have endorsed the Working Group's values as the best available estimates.[103]

BLM asserts that the "range" of estimates reported by the Interagency Working Group is perhaps too wide and so "provides little benefit in assisting the BLM Authorized Officer's decision for program or project-level analyses, especially given that there are no current criteria or thresholds that determine a level of significance for social cost of carbon monetary values."[104] Not only was this line of thinking rejected by the Ninth Circuit in *Center for Biological Diversity*—"while . . . there is a range of values, the value of carbon emissions reduction is certainly not zero"[105]—but the range of values recommended by

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[95] *Id.* at 6-8.

[96] *Id.* at 24-25.

[97] IWG, *Technical Update of the Social Cost of Carbon* at 5–29 (2016). *Available at* https://obamawhitehouse.archives.gov/sites/default/files/omb/inforeg/ scc_tsd_final_clean_8_26_16.pdf.

[98] *See* 2016 IWG Addendum at 2.

[99] *Id.* at 3.

[100] Gov't Accountability Office, *Regulatory Impact Analysis: Development of Social Cost of Carbon Estimates* 12-19 (2014). Available at http://www.gao.gov/assets/670/665016.pdf.

[101] Nat'l Acad. Sci., Engineering & Med., *Valuing Climate Damages: Updating Estimation of the Social Cost of Carbon Dioxide* 3 (2017), https://www.nap.edu/read/24651/chapter/1; Nat'l Acad. Sci., Engineering & Med., *Assessment of Approaches to Updating the Social Cost of Carbon: Phase 1 Report on a Near-Term Update* 1–2 (2016); https://www.nap.edu/read/21898/chapter/1.

[102] *Zero Zone,* 832 F.3d at 679.

[103] See, e.g., Richard Revesz et al., *Best Cost Estimate of Greenhouse Gases*, 357 Science 655 (2017); Michael Greenstone et al., *Developing a Social Cost of Carbon for U.S. Regulatory Analysis: A Methodology and Interpretation*, 7 Rev. Envtl. Econ. & Pol'y 23, 42 (2013); Richard L. Revesz et al., *Global Warming: Improve Economic Models of Climate Change*, 508 Nature 173 (2014) (co-authored with Nobel Laureate Kenneth Arrow, among others).

[104] DEIS at F-4.

[105] 538 F.3d at 1200.

the Interagency Working Group[106] and endorsed by the National Academies of Sciences[107] is rather manageable. In 2016, the IWG recommended values at discount rates from 2.5% to 5%, calculated as between $12 and $62 for year 2020 emissions.[108] Numerous federal agencies have had no difficulty either applying this range in their environmental impact statements or else focusing on the central estimate at a 3% discount rate.[109] Most recently, in August 2017, the Bureau of Ocean Energy Management applied the IWG's range of estimates calculated at three discount rates (2.5%, 3%, and 5%) to its environmental impact statement for an offshore oil development plan,[110] and called this range of estimates "a useful measure to assess the benefits of CO_2 reductions and inform agency decisions."[111]

A Recent Executive Order Does Not Change the Requirements to Monetize Climate Damages

In March 2017, President Trump disbanded the IWG and withdrew their technical support documents.[112] Nevertheless, Executive Order 13,783 assumes that federal agencies will continue to "monetiz[e] the value of changes in greenhouse gas emissions" and instructs agencies to ensure such estimates are "consistent with the guidance contained in OMB Circular A-4."[113] Consequently, while federal agencies no longer benefit from ongoing technical support from the IWG on use of the social cost of greenhouse gases, by no means does the new Executive Order imply that agencies should not monetize important effects in their environmental impact statements. The Executive Order does not prohibit agencies from relying on the same choice of models as the IWG, the same inputs and assumptions as the IWG, the same statistical methodologies as the IWG, or the same ultimate values as derived by the IWG. To the contrary, because the Executive Order requires consistency with Circular A-4, as agencies follow the Circular's standards for using the best available data and methodologies, they will necessarily choose similar data, methodologies, and estimates as the IWG, since the IWG's work continues to represent the best available estimates.[114] The Executive Order does not preclude agencies from using the same range of estimates as developed by the IWG, so long as the agency explains that the data and methodology that produced those estimates are consistent with Circular A-4 and, more broadly, with standards for rational decisionmaking.

Similarly, the Executive Order's withdrawal of the Council on Environmental Quality's guidance on greenhouse gases,[115] does not—and legally cannot—remove agencies' statutory requirement to fully

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[106] *See* Interagency Working Group on the Social Cost of Greenhouse Gases, *Technical Update* (2016) (hereinafter 2016 TSD).

[107] *See* National Academies of Sciences, *Assessment of Approaches to Updating the Social Cost of Carbon* (2016) (hereinafter First NAS Report) (endorsing continued near-term use of the IWG numbers; in 2017, the NAS recommended moving to a declining discount rate, *see* National Academies of Sciences, *Valuing Climate Damages* (2017) (hereinafter Second NAS Report).

[108] 2016 TSD. The values given here are in 2007$. The IWG also recommended a 95th percentile value of $123.

[109] BLM, *Envtl. Assessment—Waste Prevention, Prod. Subject to Royalties, and Res. Conservation* at 52 (2016); BLM, *Final Envtl. Assessment: Little Willow Creek Protective Oil and Gas Lease*, DOI-BLM-ID-B010-2014-0036-EA, at 82 (2015); Office of Surface Mining, *Final Envtl. Impact Statement—Four Corners Power Plant and Navajo Mine Energy Project* at 4.2-26 to 4.2-27 (2015) (explaining the social cost of greenhouse gases "provide[s] further context and enhance[s] the discussion of climate change impacts in the NEPA analysis."); U.S. Army Corps of Engineers, *Draft Envtl. Impact Statement for the Missouri River Recovery Mgmt. Project* at 3-335 (2016); U.S. Forest Serv., *Rulemaking for Colorado Roadless Areas: Supplemental Final Envtl. Impact Statement* at 120-123 (Nov. 2016) (using both the social cost of carbon and social cost of methane relating to coal leases); NHTSA EIS, *Available at* http://www.nhtsa.gov/staticfiles/rulemaking/pdf/cafe/FINAL_EIS.pdf at 9-77.

[110] BOEM, *Liberty Development Project: Draft Environmental Impact Statement*, at 4-247 (2017).

[111] *Id.* at 3-129.

[112] Exec. Order No. 13,783 § 5(b), 82 Fed. Reg. 16,093 (Mar. 28, 2017).

[113] *Id.* § 5(c).

[114] *See* Richard L. Revesz et al., *Best Cost Estimate of Greenhouse Gases*, 357 SCIENCE 6352 (2017) (explaining that, even after Trump's Executive Order, the social cost of greenhouse gas estimate of around $50 per ton of carbon dioxide is still the best estimate).

[115] Exec. Order 13,783 § 3(c)

disclose the environmental impacts of greenhouse gas emissions. As the Council on Environmental Quality explained in its withdrawal, the "guidance was not a regulation," and "[t]he withdrawal of the guidance does not change any law, regulation, or other legally binding requirement."[116] In other words, when the guidance originally recommended the appropriate use of the social cost of greenhouse gases in environmental impact statements,[117] it was simply explaining that the social cost of greenhouse gases is consistent with longstanding NEPA regulations and case law, all of which are still in effect today.

Notably, some agencies under the Trump administration have continued to use the IWG estimates even following the Executive Order. For example, in August 2017, the Bureau of Ocean Energy Management called the social cost of carbon "a useful measure" and applied it to analyze the consequences of offshore oil and gas drilling.[118] And in July 2017, the Department of Energy used the IWG's estimates for carbon and methane emissions to analyze energy efficiency regulation, describing the social cost of methane as having "undergone multiple stages of peer review."[119]

Two agencies have developed new "interim" values of the social cost of greenhouse gases following the Executive Order. Relying on faulty economic theory, these "interim" estimates drop the social cost of carbon from $50 per ton in year 2020 down to as little as $1 per ton, and drop the social cost of methane from $1420 per ton in year 2020 down to $58. These "interim" estimates are inconsistent with accepted science and economics; the IWG's 2016 estimates remain the best available estimates. The IWG's methodology and estimates have been repeatedly endorsed by reviewers as transparent, consensus-based, and firmly grounded in the academic literature. By contrast, the "interim" estimates ignore the interconnected, global nature of our climate-vulnerable economy, and obscure the devastating effects that climate change will have on younger and future generations. BLM should not use the "interim" social cost of greenhouse gas estimates because of their methodological flaws, as described more fully in the attached comments which we have previously submitted to BLM on its misleading use of the unsupported "interim" values.

Sincerely,

Susanne Brooks, Director of U.S. Climate Policy and Analysis, Environmental Defense Fund
Tomás Carbonell, Senior Attorney and Director of Regulatory Policy, Environmental Defense Fund
Rachel Cleetus, Ph.D., Lead Economist and Climate Policy Manager, Union of Concerned Scientists
Nada Culver, Senior Counsel and BLM Action Center Director, The Wilderness Society
Denise Grab, Western Regional Director, Institute for Policy Integrity, NYU School of Law*
Jayni Hein, Policy Director, Institute for Policy Integrity, NYU School of Law*
Anne Hedges, Deputy Director, Montana Environmental Information Center
Peter H. Howard, Ph.D., Economic Director, Institute for Policy Integrity, NYU School of Law*
Martha Roberts, Senior Attorney, Environmental Defense Fund
Iliana Paul, Policy Analyst, Institute for Policy Integrity, NYU School of Law*

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[116] 82 Fed. Reg. 16,576, 16,576 (Apr. 5, 2017).

[117] *See* CEQ, *Revised Draft Guidance on Consideration of Greenhouse Gas Emissions and the Effects of Climate Change in National Environmental Policy Act Reviews* at 16 (Dec. 2014), *available at* https://obamawhitehouse.archives.gov/sites/default/files/docs/nepa_revised_draft_ghg_guidance_searchable.pdf ("[A]lthough developed specifically for regulatory impact analyses, the Federal social cost of carbon, which multiple Federal agencies have developed and used to assess the costs and benefits of alternatives in rulemakings, offers a harmonized, interagency metric that can provide decisionmakers and the public with some context for meaningful NEPA review.").

[118] *Draft Environmental Impact Statement—Liberty Development Project in the Beaufort Sea, Alaska* at 3-129.

[119] Energy Conservation Program: Energy Conservation Standards for Walk-In Cooler and Freezer Refrigeration Systems, 82 Fed. Reg. 31,808, 31,811, 31,857 (July 10, 2017).

Richard L. Revesz, Director, Institute for Policy Integrity, NYU School of Law*
Jason A. Schwartz, Legal Director, Institute for Policy Integrity, NYU School of Law*
Peter Zalzal, Director of Special Projects and Senior Attorney, Environmental Defense Fund

For any questions regarding these comments, please contact:

Jason A. Schwartz, Legal Director, Institute for Policy Integrity
139 MacDougal Street, 3rd Floor, New York, NY 10012
jason.schwartz@nyu.edu

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

Attachments:

Joint Comments to BLM on the Failure to Appropriately Value the Social Cost of Methane in the Rescission or Revision of Certain Requirements for Waste Prevention and Resource Conservation