October 16, 2023

To: National Highway Traffic Safety Administration

Submitted By: Center for Biological Diversity, Environmental Defense Fund, Institute for Policy Integrity at New York University School of Law, Montana Environmental Information Center, Natural Resources Defense Council, Sierra Club, Western Environmental Law Center

Subject: Consideration of the Social Cost of Greenhouse Gases in "Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027–2032 and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030–2035," 88 Fed. Reg. 56,128 (proposed Aug. 17, 2023)

The undersigned organizations respectfully submit this comment[1] on the National Highway Traffic Safety Administration's (NHTSA) application of the social cost of greenhouse gases in the above-caption proposed regulation (Proposed Rule),[2] and the draft Regulatory Impact Analysis (RIA)[3] and Technical Support Document[4] accompanying that proposal.

The Proposed Rule appropriately applies the interim climate-damage estimates from the Interagency Working Group on the Social Cost of Greenhouse Gases (Working Group) and rejects the faulty numbers that numerous federal agencies applied from 2017 until early 2021. The Working Group developed its climate-damage estimates through a rigorous and transparent process incorporating the best available science available at the time. Those values—though widely agreed to underestimate the full social costs of greenhouse gas emissions[5]—are appropriate to use for now as conservative underestimates. They have been applied in dozens of

[1] Our organizations may separately and independently submit other comments to this docket. This document does not purport to represent the views, if any, of New York University School of Law.

[2] 88 Fed. Reg. 56,128 (proposed Aug. 17, 2023) ("Proposed Rule").

[3] NHTSA, Preliminary Regulatory Impact Analysis: Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond (July 2023) ("RIA").

[4] NHTSA, Draft Technical Support Document: Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond (July 2023) ("TSD").

[5] Interagency Working Group on the Social Cost of Greenhouse Gases, Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide – Interim Estimates Under Executive Order 13,990 at 4 (2021) [hereinafter "2021 TSD"] (acknowledging that current social cost valuations "likely underestimate societal damages from [greenhouse gas] emissions"). Richard L. Revesz et al., *Global Warming: Improve Economic Models of Climate Change*, 508 NATURE 173 (2014) (explaining that the Working Group's values, though methodically rigorous and highly useful, are very likely underestimates) (co-authored with Nobel Prize-winning economist Kenneth Arrow).

previous rulemakings[6] and upheld in federal court.[7] In contrast, the estimates that agencies often applied during the Trump administration disregarded the best available science and their use was deemed arbitrary and capricious by a federal court.[8]

NHTSA provides compelling justifications for readopting the Working Group's climate-damage estimates,[9] and in fact many additional justifications support this choice. In particular, extensive justifications support NHTSA's decision to adopt a global damages valuation and the range of discount rates it applies to climate effects. As detailed herein, there are many additional legal, economic, and policy justifications for such methodological decisions that further bolster NHTSA's support for these choices.

While the Working Group's climate-damage valuations represent a marked improvement over the arbitrary values that NHTSA adopted during the Trump administration, they remain underestimates. In November 2022, EPA released a draft update to the social cost of greenhouse gases that faithfully implements the roadmap laid out in 2017 by the National Academies of Sciences and applies recent advances in the science and economics on the costs of climate change (Draft SC-GHG Update).[10] These **updated valuations more robustly capture the incremental benefits of reducing greenhouse gas emissions and further confirm that the Working Group's climate-damage values represent conservative underestimates**.

These comments are organized into four sections. Section I offers additional **justification for adopting a global framework for valuing climate impacts**. These include legal justifications based on the Energy Policy and Conservation Act, the National Environmental Policy Act's broad government-wide policy mandates, the Administrative Procedure Act's requirement to consider all important factors, and executive orders and international agreements. This section also provides **extensive regulatory precedent outside the climate context supporting NHTSA's global approach**, including the Office of Management and Budget's (OMB) draft update to Circular A-4 (Draft Circular A-4 Update).[11]

Section II offers additional **justification for adopting the range of discount rates endorsed by the Working Group and for declining to apply a 7% capital-based discount rate for climate impacts**. In particular, this section provides additional justification for combining climate effects discounted at an appropriate consumption-based rate with other costs and benefits discounted at a capital-based rate. Besides climate effects presenting special legal, economic, and policy considerations for the discount rate, **it is appropriate generally for NHTSA to focus its analysis of this rule on consumption-based rates given that most costs and benefits are projected to fall to consumption rather than to capital investments**. This is also confirmed by the Draft Circular A-4 Update.[12]

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[6] Peter Howard & Jason A. Schwartz, *Think Global: International Reciprocity as Justification for a Global Social Cost of Carbon*, 42 COLUM. J. ENV'T L. 203, 270–84 (2017) (listing all uses through mid-2016).

[7] Zero Zone v. Dept. of Energy, 832 F.3d 654, 679 (7th Cir. 2016).

[8] California v. Bernhardt, 472 F. Supp. 3d 573, 613 (N.D. Cal. 2020).

[9] Proposed Rule, 88 Fed. Reg. at 56,251–52; TSD at 6-21 to 6-23.

[10] EPA, External Review Draft of Report on the Social Cost of Greenhouse Gases (Sept. 2022) (Docket No. EPA-HQ-OAR-2021-0317) ("Draft SC-GHG Update").

[11] OFF. OF MGMT. & BUDGET, CIRCULAR A-4: DRAFT FOR PUBLIC REVIEW 9–11 (Apr. 6, 2023) ("Draft Circular A-4 Update").

[12] *Id.* at 78–80.

Section III offers extensive justification for relying on the Working Group's other methodological choices, including the fact that the Working Group applied a transparent and rigorous process that relied upon the best available and most widely cited models that existed at the time of their development for monetizing climate damages. This section also provides detailed **rebuttals to criticisms of the Working Group's methodology** from opponents of sensible climate regulation.

Finally, Section IV recommends that **NHTSA apply the revised climate-damage valuations from the Draft SC-GHG Update**—either in sensitivity analysis or as part of the main analysis if this regulation is finalized after the Draft SC-GHG Update. This section also suggests that NHTSA **conduct additional analysis using the updated approach to discounting in the Draft Circular A-4 Update**. The section provides **modeling results showing a substantial increase under this approach in net benefits** for the proposed regulation and its alternatives.

I. Extensive Justification Supports NHTSA's Reliance on Global Climate Damage Valuations

In the Proposed Rule, NHTSA appropriately focuses on a global estimate of climate benefits, continuing its historical approach and once again rejecting its temporary and arbitrary practice during the Trump administration of disregarding all climate effects that occur outside the physical borders of the United States. While NHTSA offers persuasive justifications for this decision, many additional justifications further support this approach.[13] In particular, NHTSA should emphasize the concern for the impacts of U.S. pollution on foreign welfare in numerous sources of law (including the fact that reliance on global valuations under the Energy Policy and Conservation Act has been specifically upheld in court[14]),, further highlight the significance of U.S. strategic interests and reciprocity, further emphasize the importance of extraterritorial impacts and spillovers, and highlight the inconsistency that would occur if the agency considered only domestic benefits while focusing on global costs.

A. Relevant Statutes and Executive Orders Compel, and Certainly Permit, a Global Perspective on Climate Damages

The Energy Policy and Conservation Act ("EPCA"), National Environmental Policy Act, Administrative Procedure Act, and other key sources of law permit, if not require, NHTSA to consider the effects of U.S. pollution on foreign nations. NHTSA should highlight these legal provisions as further explanation for its focus on global climate impacts.

Under EPCA, NHTSA is charged with mandating fuel-economy standards that take into consideration, among other enumerated factors, "the need of the United States to conserve energy."[15] For decades, courts have affirmed that this language permits (and in fact compels) NHTSA to consider the environmental implications of energy conservation, including effects on climate change. In 1988, the U.S. Court of Appeals for the D.C. Circuit highlighted that the Energy Policy and Conservation Act contains no statutory command prohibiting environmental

[13] *See generally* Jason A. Schwartz, Inst. for Pol'y Integrity, *Strategically Estimating Climate Pollution Costs in a Global Environment* (2021), https://policyintegrity.org/files/publications/Strategically_Estimating_Climate_Pollution_Costs_in_a_Global_Environment.pdf.

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

[15] 49 U.S.C. § 32902(f).

considerations, recognizing "no conflict" between considering "environmental consequences" with "the factors NHTSA must weigh under EPCA."[16] The court further approved of the Department of Transportation's interpretation that the "need of the Nation to conserve energy" "requires consideration of . . . environmental . . . implications."[17] More recently, in 2008, the U.S. Court of Appeals for the Ninth Circuit indicated that due to advancements in "scientific knowledge of climate change and its causes," "[t]he need of the nation to conserve energy is even more pressing today than it was at the time of EPCA's enactment."[18] Accordingly, the court concluded, "EPCA does not limit NHTSA's duty … to assess the environmental impacts, including the impact on climate change, of its rule."[19]

Nowhere does EPCA restrict consideration of climate impacts to those effects that occur within the nation's borders, as confirmed in a recent case from the U.S. Court of Appeals for the Seventh Circuit. In that case, industry groups challenged a Department of Energy efficiency standard that was promulgated under EPCA, specifically objecting to the alleged "mismatch in the [social cost of carbon] analysis looking to global benefits." According to the petitioners, "EPCA authorizes [the agency] to conduct only a national analysis."[20] The Seventh Circuit rejected that argument, holding that DOE "acted reasonably" in considering the "global benefits" of its EPCA standards.[21] Although that case concerned a different provision of EPCA, the statutory factors for DOE's efficiency standards at issue in that case are very similar to the statutory standards provided for NHTSA's fuel-economy standards.[22] In light of the similarities between these two provisions, the Seventh Circuit's holding—that EPCA permits consideration of global climate impacts—naturally applies to NHTSA's consideration of fuel-economy standards under that statute.

The Ninth Circuit decision from 2008 discussed above provides additional support for this interpretation. In that case, the court held that NHTSA must monetize climate impacts as part of any cost-benefit analysis of proposed fuel-economy standards under EPCA.[23] In its ruling, the court listed several estimates of the global social cost of greenhouse gases as values that the agency could have applied.[24] By implication, the court indicated that NHTSA should consider the global externalities of greenhouse gases in setting fuel-economy standards—and not limit its analysis to effects only within the geographic borders of the United States.

This interpretation is further compelled by the National Environmental Policy Act (NEPA). Though best known for requiring agencies to prepare environmental impact statements before taking certain actions, NEPA also much more broadly declares a national environmental

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[16] *Pub. Citizen v. Nat'l Highway Traffic Safety Admin.*, 848 F.2d 256, 263 n.27 (D.C. Cir. 1988).

[17] *Id.*; *see also id.* at 265 (recognizing that Congress did not supply a "precise balancing formula for the agency to apply," therefore leaving it within NHTSA's discretion to engage in a "reasonable accommodation of conflicting policies that were committed to the agency's care by the statute") (internal quotation marks omitted).

[18] *Ctr. for Biological Diversity v. Nat'l Highway Traffic Safety Admin.*, 538 F.3d 1172, 1197–98 (9th Cir. 2008).

[19] *Id.* at 1214.

[20] Brief for Petitioners at 28–30, *Zero Zone v. Dep't of Energy*, 832 F.3d 654 (7th Cir. 2016).

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

[22] *Compare* 42 U.S.C. § 6295(o)(2)(B)(i)(VI) (cited at *Zero Zone*, 832 F.3d at 679) (requiring DOE to consider "the need for national energy and water conservation) *with* 49 U.S.C. § 32902(f) (requiring NHTSA to consider "the need of the United States to conserve energy").

[23] *Ctr. for Biological Diversity*, 538 F.3d at 1198–1203.

[24] *Id.* at 1199 & n.44 (recognizing the significance of climate change's "global decision context" for setting appropriate social cost values).

policy and requires of all agencies that "to the fullest extent possible[,] the policies, regulations, and public laws of the United States *shall be interpreted and administered* in accordance with the policies set forth in this chapter,"[25] including the need to "recognize the worldwide and long-range character of environmental problems" and to "lend appropriate support" to help "maximize international cooperation."[26] In other words, especially because adopting a global perspective on climate damages will advance U.S. foreign policy goals (see the next subsection), NEPA requires NHTSA to interpret all of its laws, including EPCA, in ways that recognize the worldwide character of environmental problems. Indeed, in a recent guidance document, the Council on Environmental Quality highlighted this very statutory language to conclude that "it is most appropriate for agencies to focus on [social cost of greenhouse gases] estimates that capture global climate damages."[27]

Other key legal commitments support this same conclusion. For instance, the United Nations Framework Convention on Climate Change—to which the United States is a party[28]—declares that national "policies and measures to deal with climate change should be cost-effective so as to *ensure global benefits* at the lowest possible cost."[29] The Convention further commits parties to evaluate global climate effects in their policy decisions, by "employ[ing] appropriate methods, for example *impact assessments* . . . with a view to minimizing adverse effects on the economy, on public health and on the quality of the environment, of projects or measures undertaken by them to mitigate or adapt to climate change."[30] The unmistakable implication of the Convention is that parties, including the United States, must account for global economic, public health, and environmental effects in their impact assessments. In 2008, a group of U.S. senators—including then-Senator John Kerry, who helped ratify the framework convention on climate change—agreed with this interpretation of the treaty language, stating that

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[25] 42 U.S.C. § 4332(1) (emphasis added).

[26] *Id*. § 4332(2)(I); *see also* EDF v. Massey, 986 F.2d 528, 536 (D.C. Cir. 1993) ("Section 102(2)(F) further supports the conclusion that Congress, when enacting NEPA, was concerned with worldwide as well as domestic problems facing the environment. . . . Compliance with one of the subsections can hardly be construed to relieve the agency from its duty to fulfill the obligations articulated in other subsections."); NRDC v. NRC, 647 F.2d 1345, 1387 (D.C. Cir. 1981) (J. Robinson, concurring; J. Wilkey wrote for the Court, but there was no majority opinion) (concluding that even if a conflict with another statute prevents the agency from conducting an environmental impact statement, that "does not imply that NRC may ignore its other NEPA obligations," including the "provision for multinational cooperation" and the "policy of the United States with respect to the ecological well-being of this planet"; rather, the agency "should remain cognizant of this responsibility"); Greene County Planning Bd. v. Federal Power Comm'n, 455 F.2d 412, 424 (2d Cir. 1972) ("The Commission's 'hands-off' attitude is even more startling in view of the explicit requirement in NEPA that the Commission 'recognize the worldwide and long-range character of environmental problems' and interpret its mandate under the Federal Power Act in accordance with the policies set forth in NEPA.").

[27] Council on Env't Quality, National Environmental Policy Act Guidance on Consideration of Greenhouse Gas Emissions and Climate Change, 88 Fed. Reg. 1196, 1203 (Jan. 9, 2023).

[28] S. Treaty Doc. No. 102-38; S. Exec. Rept. No. 102-55.

[29] U.N. Framework Convention on Climate Change art. 3(3), May 9, 1992, 1771 U.N.T.S. 107 (emphasis added); *see also id.* art. 3(1) ("The Parties should protect the climate system for *the benefit of present and future generations of humankind, on the basis of equity* and in accordance with their common but differentiated responsibilities and respective capabilities.") (emphasis added); *id*. art. 4(2)(a) (committing developed countries to adopt policies that account for "the need for equitable and appropriate contributions by each of these Parties to the global effort").

[30] *Id*. art. 4(1)(f) (emphasis added); *see also id.* art. 3(2) (requiring parties to give "full consideration" to those developing countries "particularly vulnerable to the adverse effects of climate change"); *see also* North American Agreement on Environmental Cooperation art. 10(7), Jan. 1, 1994, 32 I.L.M. 1480 (committing the United States to the development of principles for transboundary environmental impact assessments).

"[u]pon signing this treaty, the United States committed itself to considering the global impacts of its greenhouse gas emissions."[31]

And under the Administrative Procedure Act, it is arbitrary and capricious for agencies to "entirely fail[] to consider an important aspect of the problem"[32]—an obligation that a federal court held requires federal agencies to consider transboundary climate impacts. Specifically, a 2020 ruling from the U.S. Court for the Northern District of California struck down as arbitrary and capricious the Bureau of Land Management's (BLM) rescission of the Waste Prevention Rule in part because the agency had abandoned the Working Group's peer-reviewed, global estimates of the social cost of greenhouse gases in favor of flawed estimates that looked narrowly at effects within the U.S. borders.[33] The court found that the global values developed by the Working Group reflected "the best available science about monetizing the impacts of greenhouse gas emissions,"[34] whereas "focusing solely on domestic effects has been soundly rejected by economists as improper and unsupported by science."[35] The court reminded BLM that relevant executive orders, including Executive Order 12,866, require consideration of "all" costs and benefits, based on the "best reasonably obtainable scientific, technical, economic, and other information," and concluded that "no[] . . . regulatory rules or orders require exclusion of global impacts."[36]

More recently, Executive Order 13,990 instructs agencies to "tak[e] global damages into account" when assessing climate impacts because "[d]oing so facilitates sound decision-making, recognizes the breadth of climate impacts, and support the international leadership of the United States on climate issues."[37] This language again reinforces the instructions from NEPA that, whenever not precluded by statute from doing so, agencies should account for the environmental impacts of their actions on foreign nations and global commons.

NHTSA should draw upon these legal authorities in justifying its reliance on global climate-damage valuations.

B. Focusing on Global Climate Damages Furthers U.S. Strategic Interests by Facilitating Reciprocity, Mitigating International Spillover Effects, and Protecting U.S. Extraterritorial Interests

NHTSA explains that it is appropriate to value climate damages on a global scale because climate impacts occurring outside U.S. borders can directly and indirectly affect U.S. welfare through spillovers and foreign reciprocity.[38] Indeed, the theory and evidence for reciprocity on their own justify a focus on the full global values, and additional strategic and practical justifications provide further support for NHTSA's approach.

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[31] Comment Letter from U.S. Sens. Feinstein, Snowe, Nelson, Cantwell, Sanders, Kerry, Durbin, Reed, Boxer, & Cardin to Mary Peters, Sec'y, U.S. Dep't of Transp. on Proposed Rule for Average Fuel Economy Standards, Passenger Cars and Light Trucks; Model Years 2011–2015 (July 1, 2008).

[32] *Motor Vehicle Manufacturers Ass'n v. State Farm Mutual Auto. Ins. Co*., 463 U.S. 29, 41–43 (1983).

[33] *Bernhardt*, 472 F. Supp. 3d at 613.

[34] *Id.* at 611.

[35] *Id.* at 613.

[36] *Id.* at 611–12 (internal quotation marks omitted).

[37] Exec. Order No. 13,990 § 5(a), 86 Fed. Reg. 7037, 7040 (Jan. 20, 2021).

[38] Proposed Rule, 88 Fed. Reg. at 56,251.

1. Use of the Global Values Facilitates International Reciprocity

Because the world's climate is a single interconnected system, the United States benefits greatly when foreign countries consider the global externalities of their greenhouse gas pollution and cut emissions accordingly. It therefore promotes the strategic interests of the United States to encourage all other countries to think globally in setting their climate policies. The United States can advance this objective by itself adopting the full global social cost of greenhouse gases—as numerous leading climate economists and experts have explained.[39] Indeed, basic economic principles demonstrate that the United States stands to benefit greatly if all countries apply global social cost of greenhouse gas values in their regulatory decisions and project reviews[40]—likely trillions of dollars in direct benefits from foreign action to combat climate change.[41]

The Biden Administration has made such a strategic choice, to adopt a global valuation of climate damages as part of its diplomatic strategy. Executive Order 13,990 states that "[i]t is essential that agencies capture the full costs of greenhouse gas emissions as accurately as possible, including by taking global damages into account . . . [to] support the international leadership of the United States on climate issues."[42] The Order later elaborates: "Our domestic efforts must go hand in hand with U.S. diplomatic engagement. Because most greenhouse gas emissions originate beyond our borders, such engagement is more necessary and urgent than ever. The United States must be in a position to exercise vigorous climate leadership to achieve a significant increase in global climate action and put the world on a sustainable climate pathway."[43]

There is already evidence that the U.S. strategy of combining its domestic efforts—including the global valuation of climate damages—with its diplomatic engagement is spurring foreign reciprocity. As EPA explained in the Draft SC-GHG Update, "[m]any countries and

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[39] Most generally, it is individually rational for a country to fully internalize the global social cost of greenhouse gases "if a country expects a decrease in its own emissions to decrease that of all others in proportion to the ratio of its external cost of emissions to its internal costs." Matthew J. Kotchen, *Which Social Cost of Carbon? A Theoretical Perspective*, 5 J. ASSOC. ENV'T & RES. ECON. 673, 683 (2017). Other economists have justified use of the global social cost estimates on more intuitive grounds. *See, e.g.*, Tamma Carleton & Michael Greenstone, *Updating the United States Government's Social Cost of Carbon* at 26-27 (Becker Friedman Institute Working Paper 2021-04, Jan. 2021), https://perma.cc/H9EU-XWBX ("The global SCC . . . is an ingredient in efforts to procure the necessary international action. . . . Even if policymakers decide that the effects of regulations on U.S. citizens are what matter (in terms of both law and policy), it would make sense to use the global measure, as it would protect U.S. citizens against a range of adverse effects from unmitigated climate change."); William Pizer et al., *Using and Improving the Social Cost of Carbon*, 346 SCIENCE 1189, 1190 (2014) (explaining that the "potential to leverage foreign mitigation," combined with moral, ethical, and security issues, provide "compelling reasons to focus on a global SCC but, more important, to make a strategic choice"); Robert S. Pindyck, Comments on Proposed Rule and Regulatory Impact Analysis on the Delay and Suspension of Certain Requirements for Waste Prevention and Resource Conservation, Nov. 6, 2017, https://perma.cc/HG8Q-MT6H ("[W]hat treatment of international damages is in the United States' self-interest? . . . The simplest answer is to find the value of the [social cost of carbon] that maximizes global welfare. . . . I continue to think that the global value is the appropriate provisional value for use as research on this topic continues.").

[40] *See* Kotchen, *supra* note 39, at 678 (providing formulas for the "efficiency argument in support of all countries internalizing the GSCC [global social cost of carbon] for domestic policy").

[41] Inst. for Pol'y Integrity, *Foreign Action, Domestic Windfall: The U.S. Economy Stands to Gain Trillions from Foreign Climate Action* (2015), https://perma.cc/T3WN-H42U.

[42] Exec. Order No 13,990 § 5(a).

[43] *Id*. § 6(d). Though this subsection takes action on the Keystone XL Pipeline permit, its statement of diplomatic goals has much broader relevance.

international institutions have either already explicitly adapted the IWG's estimates of global damages in their domestic analyses . . . [or] developed their own estimates of global damages" following the U.S. approach.[44] Earlier this year, in fact, Canada adopted the climate-damage valuations from EPA's Draft SC-GHG Update as its official estimates,[45] demonstrating the power of U.S. leadership in spurring reciprocity foreign actions that benefit the United States.

Moreover, during the April 2021 "Leaders' Summit on Climate" hosted by the United States, following the announcement of a new U.S. commitment to reduce emissions to 50–52% below 2005 levels by 2030, multiple other countries reciprocally increased the ambition of their own climate targets. Notably, Japan accelerated its reduction goal from 26% to 46–50%; Canada strengthened its target from 30% to 40–45%; South Korea strengthened its target to achieve net zero emissions by 2050; China promised to peak coal use by 2025 and phase down coal consumption after that, and to join the Kigali Amendment to reduce hydrofluorocarbon emissions; Argentina pledged to strengthen its goal by 2.7% and make previously "conditional" targets "unconditional" instead; Brazil committed to a net zero target by 2050 (ten years earlier than its previous 2060 goal) and pledged to end illegal deforestation by 2030; South Africa shifted its emission peak ten years earlier, to 2025; and New Zealand, Bhutan, and Bangladesh all committed to submit more ambitious plans in the near future.[46]

This flurry of activity is just the latest evidence of reciprocity in international climate actions. Some past reciprocity has been explicit. The Kigali Amendment, for example, is the latest internationally negotiated climate treaty, with more than 120 parties so far committing to common but differentiated responsibilities to phase down hydrofluorocarbons.[47] Previously, under the Copenhagen Accord and the Paris Agreement, some parties, including the European Union and Mexico, have at times explicitly made conditional pledges, promising to ratchet up their efforts if other countries make comparable reductions.[48] By contrast, when the United States "failed to take action to reduce greenhouse gas emissions during the George W. Bush Administration and during . . . the Trump Administration," as economist Michael Greenstone has testified before the U.S. House of Representatives, "both periods were characterized by little [international] progress, and indeed many instances of backsliding, in reducing emissions

[44] Draft SC-GHG Update, *supra* note 10, at 14.

[45] Social Cost of Greenhouse Gas Emissions, Government of Canada (last modified Apr. 20, 2023), https://www.canada.ca/en/environment-climate-change/services/climate-change/science-research-data/social-cost-ghg.html.

[46] U.S. Dept. of State, Leaders' Summit on Climate: Day 1, Apr. 22, 2021, https://perma.cc/3X8A-KF4G; Climate Action Tracker, *Warming Projections Global Update: May 2021* at 3 (2021), https://perma.cc/7JYN-N2DU.

[47] *See* U.N., Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer (2016), https://perma.cc/SEX3-HAQA (last visited June 8, 2021).

[48] *See* Eur. Comm'n, Expression of Willingness to Be Associated with the Copenhagen Accord and Submission of the Quantified Economy-Wide Emissions Reduction Targets for 2020 at 2, Jan. 28, 2010, https://perma.cc/77DD-M4LS (committing to a 20% reduction but "reiterat[ing] its conditional offer to move to a 30% reduction by 2020 compared to 1990 levels, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities"); Gov't of Mex. Ministry of Env't & Nat. Res., Nationally Determined Contributions: 2020 Update at 22, https://perma.cc/VF4A-K5HK (making an unconditional pledge of 22% reduction of GHGs and 51% of black carbon by 2030; and making a conditional pledge of up to 36% reduction GHGs and 70% black carbon, conditioned on "an international price for carbon trading, adjustment of tariffs for carbon content" as well as technology transfers and financial resources).

globally."[49] By failing to take international climate damages into account, in other words, NHTSA and other U.S. agencies would incentivize other countries to do the same, which in turn would cause greater greenhouse gas pollution originating in other countries that causes climate damage within the United States.

In January 2021, Trevor Houser and Kate Larsen published a conservative estimate of the number of tons of greenhouse gases that the rest of the world had committed to reduce for each ton that the United States has pledged to reduce: a figure they call the "Climate Reciprocity Ratio."[50] Using only the quantifiable, unconditional pledges that 51 countries had made since 2014 to cut emissions through 2030, Houser and Larsen conservatively estimate that for every ton the United States pledged to reduce, these other countries had collectively pledged to reduce 6.1–6.8 tons in return.[51] While implementation of all these foreign policies is not guaranteed, and while these estimates reflect pledges that may now be outdated, Houser and Larsen cite evidence that several large emitters are on track to meet their goals, and that the ratio should grow over time as the U.S. share of global emissions falls.[52] Adopting global estimates of the social cost of greenhouse gases helps keep the United States more on track to meet its own pledges, which in turn helps ensure that other countries follow suit. It also shows other countries that the United States takes their interests, and climate-related commitments to them, seriously, encouraging them to do the same.

In short, both empirical evidence and economic theory strongly support a strategic choice for U.S. agencies to adopt the full global estimates of the social cost of greenhouse gases, as this facilitates international reductions in greenhouse gas pollution that directly benefits the United States. Notably, OMB's Draft Circular A-4 Update specifically recognizes that "the potential for inducing strategic reciprocity or other policy changes from actors abroad" offers a basis for considering regulatory impacts on a global basis.[53] Accordingly, NHTSA should provide evidence of foreign reciprocity to further support its focus on the full global valuations of the social cost of greenhouse gases.

2. Use of the Global Values Recognizes Spillover Impacts from Climate Change

As NHTSA further recognizes, spillover impacts into the United States also support the use of global damage valuations.[54] Significant costs to trade, human health, and security will inevitably "spill over" to the United States as other regions of the planet experience climate change damages.[55] Due to its unique place among countries—both as the largest economy with

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[49] Economics of Climate Change: Hearing before the U.S. H. Comm. on Oversight & Reform's Subcomm. on Env't at 6 (Dec. 19, 2019) (testimony of Michael Greenstone), https://perma.cc/H5JS-V4H6.

[50] Trevor Houser & Kate Larsen, Rhodium Grp., *Calculating the Climate Reciprocity Ratio for the U.S.* (2021), https://perma.cc/7MJ8-DN23 (calling their estimate "deliberately conservative").

[51] The estimate is conservative because it omits any conditional pledges, any pledges that are not readily quantified into specific reductions, any actions from countries that have not formally submitted Nationally Determined Contributions to the United Nations, any reductions occurring after 2030, and any foreign actions already achieved before 2014 that may have motivated U.S. pledges in the first place. *Id.*

[52] *Id.*

[53] Draft Circular A-4 Update, *supra* note 11, at 9.

[54] TSD at 6-21.

[55] Though some positive spillover effects are also possible, such as technology spillovers that reduce the cost of mitigation or adaptation, *see* S. Rao et al., *Importance of Technological Change and Spillovers in Long-Term Climate Policy*, 27 ENERGY J. 123–39 (2006), overall climate spillovers are likely strongly negative, *see* Jody Freeman & Andrew Guzman, *Climate Change and U.S. Interests*, 109 COLUM. L. REV. 1531 (2009).

trade- and investment-dependent links throughout the world, and as a military superpower—the United States is particularly vulnerable to effects that will spill over from other regions of the world. The use of global damage values recognizes these spillover effects, which were ignored under the Trump administration's domestic-only valuation.

These spillover effects take many forms. In terms of trade-related impacts, as climate change disrupts the economies of other countries, decreased availability of imported inputs, intermediary goods, and consumer goods will cause supply shocks to the U.S. economy, causing particularly damaging disruptions in sectors such as agriculture and technology. Similarly, the U.S. economy will experience demand shocks as climate-affected countries decrease their demand for U.S. goods. U.S. trade and businesses that rely on foreign-owned infrastructure, services, and resources will suffer.[56] Financial markets will also suffer as foreign countries become less able to loan money to the United States and as the value of U.S. firms declines with shrinking foreign profits. As seen historically, economic disruptions in one country can cause financial crises that reverberate globally at a breakneck pace.[57]

Climate change is also predicted to exacerbate existing security threats—and possibly catalyze new security threats—to the United States.[58] Besides threats to U.S. military installations and operations at home and abroad from flooding, storms, extreme heat, and wildfires,[59] climate change is also a "source[] of conflict around the world"[60] and a "threat multiplier" that, as recognized by the Department of Defense, will "aggravate stressors abroad such as poverty, environmental degradation, political instability, and social tensions—conditions that can enable terrorist activity and other forms of violence."[61] Climate change will create and exacerbate new conflicts and humanitarian crises that will require a U.S. response, even as climate change also complicates the logistics of deploying forces and achieving missions.

Climate change will also very directly cause spillover damages across transboundary resources. The United States has already begun to experience increased smoke from Canadian wildfires, as illustrated by recent levels of dangerously high pollution in many northern cities, and drought conditions that spread along the U.S.-Mexico border.[62] The United States shares a maritime border with 21 other countries, shares water resources like the Columbia River with our neighbors, and shares ecosystems—including the oceans through which migratory species with high economic and ecosystem-service values, like the Pacific hake, travel and live.[63]

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[56] U.S. Global Change Res. Prog., Fourth National Climate Assessment, Volume II: Impacts, Risks, and Adaptation in the United States, Chapter 16: Climate Effects on U.S. International Interests 608 (2018) [hereinafter "NCA4"].

[57] *See* Steven L. Schwarcz, *Systemic Risk*, 97 GEO. L.J. 193, 249 (2008) (observing that financial collapse in one country is inevitably felt beyond that country's borders).

[58] *See* CNA Military Advisory Board, National Security and the Accelerating Risks of Climate Change (2014).

[59] U.S. Gov't Accountability Off., GAO-14-446, Climate Change Adaptation: DOD Can Improve Infrastructure Planning and Processes to Better Account for Potential Impacts (2014); Union of Concerned Scientists, The U.S. Military on the Front Lines of Rising Seas (2016).

[60] U.S. Dep't of Def., Report on Effects of a Changing Climate to the Department of Defense 8 (2019), https://perma.cc/4WPP-86EN.

[61] U.S. Dep't of Def., Quadrennial Defense Review 2014 at vi, 8 (2014).

[62] NCA4, *supra* note 56, at 607.

[63] *Id.* at 615.

All of these individual spillover effects can also interact and trigger feedback loops that will propagate additional spillover damages.[64] Economic shocks around the world can make it more difficult for other countries to continue investing in mitigation and abatement, thus hastening the pace of climate change.[65] Conflict and political instability caused by climate change can further reduce the willingness or ability of countries to engage in domestic climate policy or international cooperation.[66] Spillover effects can chain together: if climate change accelerates migration, the attendant economic ripple effects and spread of health risks may cause political instability, which in turn can cause more migration and further economic ripple effects, thus starting the feedback loop again.[67]

Experts on the social cost of greenhouse gases have therefore concluded that, because the integrated assessment models that underlie the Working Group's social cost valuations currently do not capture many of these key inter-regional costs, the use of the global values can be further justified as a proxy for capturing all spillover effects.[68] Though not all climate damages will spill back to affect the United States, many will, and together with other justifications, the likelihood of significant spillovers makes a global valuation the better, more transparent accounting of the full range of costs and benefits that matter to U.S. policymakers and the public.

NHTSA can therefore highlight spillover impacts as further justification for relying on global social cost valuations. In addition to the spillover effects that NHTSA already mentions,[69] NHTSA should further argue that transboundary spillovers, feedback loops, information spillovers, and other effects justify a focus on the full global values, either independently or in combination with other strategic and ethical considerations.[70]

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[64] Peter Howard & Michael Livermore, *Climate-Society Feedback Effects: Be Wary of Unidentified Connections*, 15 INTL. REV. ENV'T & RES. ECON. 33 (forthcoming 2021).

[65] Peter Howard & Michael A. Livermore, *Sociopolitical Feedbacks and Climate Change*, 43 HARV. ENV'T L. REV. 119, 122-23 (2019).

[66] *Id.*

[67] NCA4, *supra* note 56, at 621 (explaining that instability has economic effects, and economic risks create risk of conflict); Freeman & Guzman, *supra* note 55, at 1581–89; *id.* at 1581 (noting that climate-induced pandemics may cause political instability); *id.* at 1564 n.157 (noting that cross-sectoral interactions will "reinforce" international spillovers and create "a costly multiplier effect"). Howard & Livermore, *supra* note 64.

[68] Robert E. Kopp & Bryan K. Mignone, *Circumspection, Reciprocity, and Optimal Carbon Prices*, 120 CLIMATE CHANGE 831, 833 (2013) (2013) (explaining that the principle of "circumspection" can account for spillover effects and can then be used to justify a global SC-GHG value).

Notably, in Katharine Ricke et al., *Country-Level Social Cost of Carbon*, 8 NATURE CLIMATE CHANGE 895 (2018), the authors concede that after factoring in spillovers and other considerations, an individual country's interests may be better reflected in a global valuation than a country-specific valuation, and it may not be appropriate to use a country-specific valuation in setting climate policies:

> Globalization and the many avenues by which the fortunes of countries are linked mean that a high CSCC [country-level social cost of carbon] in one place may result in costs as the global climate changes even in places where the CSCC is nominally negative. For many countries, the effects of climate change may be felt more greatly through transboundary effects, such as trade disruptions, large-scale migration, or liability exposure than through local climate damage. . . . These considerations suggest that country-level interests may be *more closely aligned to global interests than indicated by contemporary country-level contributions* to the SCC. . . . [A] host of other *strategic and ethical considerations* factor into the international relations of climate change mitigation.

Id. at 899 (emphases added).

[69] TSD at 6-21 (citing trade, tourism, economic spillovers, political destabilization, and global migration).

[70] *See* Schwartz, *supra* note 13, at 26; *id.* at 12 (on information spillovers).

3. Use of the Global Values Preserves Extraterritorial Interests

The TSD highlights direct and indirect impacts on U.S. citizens and assets located abroad as a justification for a global valuation,[71] but U.S. extraterritorial interests are even more extensive and significant.

A domestic-only estimate of the social cost of greenhouse gases based on some rigid conception of geographic borders or U.S. share of world GDP will fail to capture many of the climate-related costs and benefits that matter to U.S. citizens, including impacts to significant U.S. ownership interests in foreign businesses, properties, and other assets, as well as U.S. consumption abroad including tourism,[72] and even effects to the millions of Americans living abroad.[73] The United States also has military personnel and assets located in almost every nation across the globe, and many if not all installations abroad—including those with high replacement costs or irreplaceable strategic value—face imminent climate risks.[74]

The current Circular A-4 requires agencies to count all significant costs and benefits, including both "use" values and "non-use" values like bequest and existence values.[75] Circular A-4 cautions that "ignoring these [non-use] values" may cause analyses to "significantly understate the benefits and/or costs" involved.[76] U.S. citizens will experience costs because of their use and non-use values attached to climate effects occurring outside the U.S. borders.

Such non-use values take many forms. For one, the United States and its citizens have a willingness to pay—as well as a legal obligation—to protect the global commons of the oceans and Antarctica from climate damage. Furthermore, a quarter of the U.S. population consists of either foreign-born immigrants or second-generation residents,[77] and subsequent generations of Americans retain significant familial, cultural, economic, and religious ties to their ancestors' home nations across the world.[78] U.S. citizens and residents have a significant willingness to pay to protect their relatives, ancestral homes, and cultural and religious sites located abroad.[79]

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[71] RIA at 4-7 ("Examples of affected interests include direct effects on U.S. citizens and assets, [and] investments located abroad.")

[72] "U.S. residents spend millions each year on foreign travel, including travel to places that are at substantial risk from climate change, such as European cities like Venice and tropical destinations like the Caribbean islands." David A. Dana, *Valuing Foreign Lives and Civilizations in Cost-Benefit Analysis: The Case of the United States and Climate Change Policy* 10 (Northwestern Faculty Working Paper 196, 2009), https://perma.cc/EW3B-NKYC.

[73] 2021 TSD, *supra* note 5, at 15 (citing a 2016 figure from Bureau of Consular Affairs, Dept. of State); *see also* Dept. of State, Consular Affairs by the Numbers (2020), https://perma.cc/F3M8-EFSJ.

[74] Ctr. for Climate & Sec., Military Expert Panel Report: Sea Level Rise and the U.S. Military's Mission 7 (2d ed. 2018), https://perma.cc/ZM4R-ED89.

[75] A bequest value captures willingness to pay to preserve a resource for a future generation. Existence value captures willingness to pay to preserve a resource even with no intention to ever use or bequeath the resource. Off. of Mgmt. & Budget, Circular A-4: Regulatory Analysis 22 (2003).

[76] *Id*.

[77] U.S. Census Bureau, Characteristics of the U.S. Population by Generational Status: 2013 at 3 (2016), https://perma.cc/AS3H-BCWK; *see also* Pew Res. Ctr., *First- and second-generation share of the population, 1900-2017*, June 3, 2019, https://perma.cc/Y9WT-75R4 (showing a growing percentage in recent years); *see also* Pew Res. Ctr., Key Findings About U.S. Immigration, Aug. 20, 2020, https://perma.cc/8JEK-Y88S (showing that 77% of the U.S. foreign-born population are naturalized U.S. citizens or permanent/temporary U.S. residents).

[78] Over $100 billion is sent from the United States to other countries in remittances every year. *See* Pew Res. Ctr., *Remittance Flows Worldwide in 2017*, Apr. 3, 2019, https://perma.cc/D684-7ZA8.

[79] Many cultural sites are located near water because of how civilization developed, Yu Fang & James W. Jawitz, *The evolution of human population distance to water in the USA from 1790 to 2010*, 10 NATURE COMMUNICATIONS 1 (2019), and so such sites may be especially vulnerable to climate change, *see* Lee Bosher et al., *Dealing with*

Similarly, U.S. citizens value natural resources and plant and animal lives abroad—even if they never see or use those resources[80]—and care about the health and welfare of unrelated foreign citizens[81] and cultural and world heritage sites threatened by climate change.[82]

Both strategic considerations and the need to account for spillovers already provide independent justifications for focusing on the full global social cost of greenhouse gas estimates. But the global values can also be at least partly justified as a proxy for these extra-territorial interests that otherwise would be overlooked using a domestic-only damage estimate. NHTSA can therefore further highlight U.S. extraterritorial interests as additional justification for relying on global social cost valuations, and can specifically call attention to climate-vulnerable U.S. military installations abroad with high replacement costs or irreplaceable strategic value, as well as Americans' willingness to pay to protect relatives, ancestral homes, cultural and religious sites, and natural resources located abroad.

Indeed, OMB's Draft Circular A-4 Update is even more explicit than the current guidance on the need to consider direct and indirect transboundary impacts on U.S. citizens. As the Draft Circular A-4 Update explains, effects that occur entirely outside the United States are relevant to consider in a regulatory impact analysis "when they affect U.S. citizens and residents, such as effects experienced by citizens residing abroad"; when "assessing effects on noncitizens residing abroad provides a useful proxy for effects on U.S. citizens and residents that are difficult to otherwise estimate"; and when "assessing effects on noncitizens residing abroad provides a useful proxy for effects on U.S. national interests that are not otherwise fully captured by effects experienced by particular U.S. citizens and residents."[83]

C. Focusing on Global Climate Damages Is Consistent With NHTSA's Consideration of Global Costs

NHTSA can further justify its focus on global climate benefits as necessary for consistency with the rest of its analysis.

Specifically, NHTSA's analysis implicitly takes a global perspective on compliance costs, and so—as OMB's Draft Circular A-4 Update emphasizes[84]—it would be inconsistent and

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multiple hazards and threats on cultural heritage sites: an assessment of 80 case studies, 29 DISASTER PREVENTION AND MANAGEMENT: AN INTERNATIONAL JOURNAL 109 (2019). More broadly, there are clear cultural costs of climate change, W. Neil Adger et al., *Cultural Dimensions of Climate Change Impacts and Adaptation*, 3 NATURE CLIMATE CHANGE 112 (2013), and a willingness to pay to protect culture, Ali Ardeshiri et al., *Conservation or Deterioration in Heritage Sites? Estimating Willingness to Pay for Preservation* (Working Paper, 2019).

[80] *See, e.g.*, OFF. OF INFO. & REGUL. AFFS., GUIDANCE FOR ASSESSING CHANGES IN ENVIRONMENTAL AND ECOSYSTEM SERVICES IN BENEFIT-COST ANALYSIS: DRAFT FOR PUBLIC REVIEW 5–6 & n.24 (Aug. 2023), https://perma.cc/F989-LHMU (discussing the importance and economic underpinnings of valuing non-use values that flow from changes to ecosystems and the services they provide, and noting that "motivations for the tradeoff [people make between current consumption and benefiting an unused natural asset] are generally not important; the main thing that matters is that people are willing to make the tradeoff and bear the opportunity cost").

[81] *See* Arden Rowell, *Foreign Impacts and Climate Change*, 39 HARV. ENV'T L. REV. 371 (2015); Dana, *supra* note 72 (discussing U.S. charitable giving abroad and foreign aid, and how those metrics likely severely underestimate true U.S. willingness to pay to protect foreign welfare).

[82] *See* UNESCO, *Climate Change Now Top Threat to Natural World Heritage*, Dec. 2, 2020, https://perma.cc/K9SW-XQDM.

[83] Draft Circular A-4 Update, *supra* note 11, at 9–10.

[84] *Id.* at 10 ("You should be consistent in your treatment of noncitizens residing abroad in your benefit and cost estimates. If you include some effects experienced by such noncitizens in your primary analysis, consistency generally requires also including countervailing effects on similar noncitizens in your primary analysis. For

arbitrary not to similarly take a global perspective on climate effects. All industry compliance costs ultimately fall on the owners, employees, or customers of regulated and affected firms. Whether the Proposed Rule's compliance costs are passed to consumers or investors, or some combination thereof, a significant portion of the Proposed Rule's alleged compliance costs will ultimately accrue to foreign customers or foreign investors.

In general, about 29% of U.S. corporate debt and 14% of equities are foreign-owned,[85] and adding foreign direct investment to portfolio stock ownership suggests that foreigners own about 40% of U.S. corporate equity.[86] Thus, a significant share of the Proposed Rule's compliance costs are likely to fall on foreign entities—particularly since many major automakers are headquartered abroad—but NHTSA never distinguishes between those costs that would accrue to foreign entities as opposed to U.S. citizens or U.S. entities. Thus, the agency's calculations of cost implicitly include all global effects. Considering global climate benefits is consistent with that approach.

In various recent analyses, agencies have admitted that some portion of the costs or cost savings calculated for publicly-traded corporations will "accru[e] to entities outside U.S. borders" through foreign ownership, employment, or consumption.[87] Yet much like in the Proposed Rule, these analyses do not attempt to separate such effects to foreign interests, nor attempt to exclude such effects from consideration altogether. Indeed, splitting corporate effects into subparts based on ultimate ownership—much like separating climate benefits geographically—could be extremely complicated.[88] Thus, as a practical matter, agencies typically count all costs or benefits to corporations, no matter how those effects may be passed through to foreign owners, foreign employees, or foreign customers. As the Draft Circular A-4 Update explains, this practice requires consistent treatment for benefits.[89]

Since NHTSA analyzes the Proposed Rule's costs globally—without distinguishing between U.S. and foreign effects—it would be inconsistent and arbitrary for the agency to attempt to separate and disregard climate benefits that occur abroad, as doing so would "put a thumb on the scale" by treating costs globally but benefits domestically.[90] NHTSA can therefore highlight its consistent treatment of costs and benefits as further justification for assessing climate damages from a global perspective.

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example, if benefits that are experienced by noncitizens residing abroad are included in your analysis, compliance costs borne by noncitizens residing abroad should generally be included in your analysis as well, and vice versa.").

[85] Dept. of Treasury et al., *Foreign Portfolio Holdings of U.S. Securities* at B-3 (2020), https://perma.cc/6VP6-PPG6.

[86] Steve Rosenthal & Theo Burke, *Who's Left to Tax? U.S. Taxation of Corporations and Their Shareholders* at 2 (Urban-Brookings Tax Policy Center Working Paper, 2020), https://perma.cc/YMR2-XREM.

[87] *See, e.g.*, EPA, Regulatory Impact Analysis for the Proposed Reconsideration of the Oil and Natural Gas Sector Emission Standards for New, Reconstructed, and Modified Sources at 3-13 (2018); EPA, Regulatory Impact Analysis for the Proposed Revised Cross-State Air Pollution Rule (CSAPR) Update for the 2008 Ozone NAAQS at 5-5 (2020).

[88] *See, e.g.*, EPA, Draft Guidelines for Preparing Economic Analyses: Review Copy prepare for EPA's Science Advisory Board at 5-2 (2020), https://perma.cc/3K86-M7AH ("Limiting standing to citizens and residents of the United States can be complicated to operationalize in practical terms (e.g., how should multi-national firms with plants in the United States but shareholders elsewhere be treated?).").

[89] Draft Circular A-4 Update, *supra* note 11, at 10.

[90] *Ctr. for Biological Diversity*, 538 F.3d at 1198.

D. Considering Extraterritorial Climate Effects Is Consistent with Administrative Precedent Outside the Climate Context

While NHTSA offers extensive justification for its focus on global damage estimates, it can provide additional regulatory precedent supporting that approach. Agencies often consider the extraterritorial effects of their actions—including effects on international reciprocity, international cooperation, and transboundary spillovers—when administering their statutory authority. And on numerous occasions, courts have endorsed this practice. Indeed, as the Supreme Court has acknowledged, agency decisions "are routinely informed by . . . foreign relations and national security concerns."[91] NHTSA doing so here is thus hardly extraordinary.

For one, as noted above, the National Environmental Policy Act (NEPA) requires agencies to administer and interpret the nation's law to "recognize the worldwide and long-range character of environmental problems" and to "lend appropriate support" to help "maximize international cooperation."[92] Numerous court decisions—including one from the U.S. Court of Appeals for the D.C. Circuit—have held that reasonably foreseeable transboundary effects must be assessed under NEPA.[93] And consistent with those decisions, agencies have assessed transboundary impacts under NEPA for over 40 years under Executive Order 12,114, which instructs agencies to "take into consideration in making decisions" effects of their actions on the "environment of a foreign nation" and "the global commons."[94] NHTSA's consideration of extraterritorial environmental impacts is thus consistent with decades of agency practice.

Beyond NEPA, and outside the climate context, agencies have considered key effects on international reciprocity in their regulatory cost-benefit analyses and decisionmaking. Perhaps the best example on this front is EPA's 1988 regulations to protect stratospheric ozone—another problem that, like greenhouse gases, requires international cooperation to effectively mitigate. In issuing those regulations, EPA recognized that it could "consider other countries' willingness to take regulatory action" in "deciding whether and how to regulate."[95] EPA also took "[c]onsideration of the international ramifications of United States action" into account when "analyzing the cost and feasibility of controls."[96] And in its regulatory impact analysis, EPA modeled alternative regulatory stringency levels based on potential international participation rates and the influence that EPA regulation would have on reciprocal international actions.[97]

On several prior occasions—again outside the context of climate change—courts have upheld an agency's consideration of effects on international reciprocity and cooperation from domestic pollution standards. In one case, for instance, the D.C. Circuit upheld EPA's decision to set an interim tolerance for the chemical ethylene dibromide under the Food, Drug, and Cosmetic Act (FDCA)—rather than ban the chemical altogether—after EPA concluded that a ban "could damage cooperative [food-safety] efforts," reasoning that "[s]ince effective

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[91] Dep't of Com. v. New York, 139 S. Ct. 2551, 2573 (2019).

[92] 42 U.S.C. § 4332(2)(I) (*cited at* Draft SC-GHG Update, *supra* note 10, at 15 n.37, as § 4332(2)(F)).

[93] *E.g.* Env't Def. Fund, Inc. v. Massey, 986 F.2d 528 (D.C. Cir. 1993); Gov't of Man. v. Salazar, 691 F. Supp. 2d 37, 51 (D.D.C. 2010).

[94] *See* Exec. Order No. 12,114 § 2–3, 44 Fed. Reg. 1957 (Jan. 4, 1979).

[95] Protection of Stratospheric Ozone, 53 Fed. Reg. 30,566, 30,569 (Aug. 12, 1988).

[96] *Id.* ("Certainly other nations' ozone-depleting emissions or control of emissions affect the cost of United States' controls, and the need for other nations to limit their emissions may make appropriate United States action that encourages, or does not discourage, other nations to agree to such limits.").

[97] Env't Prot. Agency, *Regulatory Impact Analysis for the Protection of Stratospheric Ozone* (1988).

enforcement of food safety laws depends upon such cooperation, a ban might increase the risk that fruit and vegetables would enter the U.S. treated with unsafe levels of pesticides or infested with pests or diseases."[98] The D.C. Circuit similarly upheld EPA's consideration of international harmonization in setting NO_x emissions standards for commercial aircraft gas turbine engines, after EPA issued a standard under the Clean Air Act to align U.S. standards with international standards.[99]

In addition to these considerations of international reciprocity and cooperation in prior rulemakings, agencies have also considered transboundary spillover effects in making key decisions. As one example, when considering the "public interest" in the certification of natural gas exports under the Natural Gas Act,[100] the Department of Energy routinely "consider[s] international trade policy, foreign policy, and national security interests."[101] As another example, the Food and Drug Administration also frequently considers international effects as part of its regulatory decisionmaking, and has recognized that such costs are particularly relevant because "a portion of foreign costs could be passed on to domestic consumers."[102] More recently, the Fish and Wildlife Service's economic analysis of its proposed regulation to protect African elephants discusses the non-use value that humans everywhere derive from knowing these elephants exist, the reciprocity benefits to Americans associated with motivating other countries to strengthen their elephant protections, and the various impacts on range countries the rule would carry.[103]

Courts have confirmed that agencies may—and, in some cases, must—take into account international spillover effects. In 2020, the U.S. Court of Appeals for the Ninth Circuit rejected a Bureau of Ocean Energy Management approval of an offshore oil drilling and production facility after the agency concluded that domestic extraction would not affect international fossil-fuel supply and consumption.[104] As the court explained, because domestic production causes "foreign consumers [to] buy and consume more oil"—and because that consumption "can be translated into estimates of greenhouse gas emissions" that harms the United States—the agency had an obligation to consider those increased foreign emissions resulting from domestic action.[105] Two subsequent district court opinions similarly faulted Department of Interior analyses for omitting the effects of domestic production on foreign demand and consumption.[106] The fact that courts have required agencies to consider the spillover impacts from foreign greenhouse gas emissions provides strong support for NHTSA's consideration here of spillovers from domestic emissions.

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[98] National Coalition Against the Misuse of Pesticides v. Thomas, 815 F.2d 1579, 1582 (D.C. Cir. 1987).

[99] National Ass'n of Clean Air Agencies v. EPA, 489 F.3d 1221 (D.C. Cir. 2007).

[100] 15 U.S.C. § 717b(a).

[101] New Policy Guidelines and Delegation Orders from Secretary of Energy to Economic Regulatory Administration and Federal Energy Regulatory Commission Relating to the Regulation of Imported Natural Gas, 49 Fed. Reg. 6684, 6688 (Feb. 22, 1984).

[102] Requirements for Additional Traceability Records for Certain Foods, 87 Fed. Reg. 70,910, 71,071 tbl.2 (Nov. 21, 2022).

[103] *See* U.S. FISH & WILDLIFE SERV., DRAFT ENVIRONMENTAL ASSESSMENT AND ECONOMIC ANALYSIS: REVISIONS TO THE AFRICAN ELEPHANT RULE UNDER SECTION 4(D) OF ENDANGERED SPECIES ACT (50 CFR 17.40(E)) at 59–64 (2022).

[104] Ctr. for Biological Diversity v. Bernhardt, 982 F.3d 723, 738 (9th Cir. 2020).

[105] *Id.*

[106] Sovereign Iñupiat for a Living Arctic v. Bureau of Land Mgmt., 555 F. Supp. 3d 739, 764–67 (D. Alaska 2021); citing Friends of the Earth v. Haaland, No. CV 21-2317 (RC), 2022 WL 254526, at *14–15 (D.D.C. Jan. 27, 2022).

Consistent with these examples, the Draft Circular A-4 Update recognizes that relevant benefits and costs to consider in regulatory impact analysis include both effects that "result directly from a regulation's domestic applicability" and those that result "indirectly from a regulation's impact on foreign entities."[107] With regard to the latter category, the Draft Circular A-4 Update explains that relevant impacts "include the effects of a regulation on U.S. strategic interests, including the potential for inducing strategic reciprocity or other policy changes from actors abroad or effects on U.S. government assets located abroad," which "are particularly likely to occur when [a] regulation bears on a global commons or a public good."[108] Additionally, the Draft Circular A-4 Update states that relevant impacts include "those that occur entirely outside the United States when they affect U.S. citizens and residents."[109]

As all of these examples illustrate, NHTSA's consideration of climate damages on a global scale is consistent with how agencies have exercised regulatory authority in numerous contexts.

II. Extensive Justification Supports NHTSA's Decisions to Omit a 7% Discount Rate and To Discount Long-Term Climate Impacts at a Lower Range of Discount Rates than the Proposed Rule's Shorter-Term Impacts

NHTSA applies the social cost of greenhouse gases estimates calculated at discount rates of 2.5%, 3%, and 5%,[110] consistent with the Working Group's current recommendations, and justifies its conclusion that a 7% capital-based discount rate is inappropriate for climate effects. NHTSA's application of a reasonable range of discount rates to assess climate impacts is well supported—in fact, as recognized by both the Working Group in its 2021 update[111] and EPA in the Draft SC-GHG Update,[112] discount rates of 2% or lower are appropriate for valuing climate damages.

NHTSA cites the Working Group's arguments that, for long-term policies with intergenerational effects, uncertainty and ethical considerations make a 7% capital-based discount rate inappropriate.[113] These arguments provide sufficient reason for NHTSA's approach to discount rates. Moreover, additional justifications support NHTSA's discounting choices.

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[107] Draft Circular A-4 Update, *supra* note 11, at 9.

[108] *Id.*

[109] *Id.*

[110] Note that just as there is growing evidence that the discount rate should be below 2%, there is growing evidence that 5% is much too high a discount rate. The values at 5% should be considered a very conservative lower bound.

[111] 2021 TSD, *supra* note 5, at 16–22 (offering extensive evidence for the use of lower discount rates and recommending that agencies "consider discount rates below 2.5 percent" for valuing the social cost of greenhouse gases); *see also id.* at 4 ("Consistent with the guidance in E.O. 13990 for the IWG to ensure that the SC-GHG reflect the interests of future generations, the latest scientific and economic understanding of discount rates discussed in this TSD, and the recommendation from OMB's Circular A-4 to include sensitivity analysis with lower discount rates when a rule has important intergenerational benefits or costs, agencies may consider conducting additional sensitivity analysis using discount rates below 2.5 percent.").

[112] In the Draft SC-GHG Update, EPA applies a central near-term discount rate of 2%, with additional valuations using near-term discount rates of 1.5% and 2.5%. The discount rates in the Draft SC-GHG Update also decline over time. *See* Draft SC-GHG Update, *supra* note 10, at 3 tbl.ES-1; *id.* at 52–61 (explaining discounting module).

[113] Proposed Rule, 88 Fed. Reg. at 56,252.

A. For Numerous Reasons, the 7% Discount Rate Is Inappropriate for Climate Effects

There is no support in the economics literature for applying a 7% discount rate to long-term impacts such as climate damage and doing so is utterly inconsistent with economic practice and theory.[114] There are in fact numerous reasons why applying a 7% discount rate to climate effects that occur over a 300-year time horizon would be unjustifiable—and that discount rates of 2% or lower are appropriate.

First, there is widespread consensus that the consumption rate of interest (which the 3% rate in the current Circular A-4 represents, and the Draft Circular A-4 Update pegs at 1.7%) supplies the correct framework for the analysis of climate effects—not the opportunity cost of capital. While the current Circular A-4 suggests that 7% should be a "default position" that reflects regulations that primarily displace capital investments, it also explains that "[w]hen regulation primarily and directly affects private consumption . . . *a lower discount rate is appropriate*."[115] The 7% discount rate is based on a private sector rate of return on capital, as private market participants typically have relatively short time horizons. By contrast, climate change concerns the public well-being broadly rather than market participants narrowly. Indeed, the Draft Circular A-4 Update acknowledges this consensus, providing an updated consumption rate of interest as the default risk-free discount rate and eliminating the use of the opportunity cost of capital approach in regulatory impact analysis.[116]

Second, uncertainty over the long time horizon of climate effects should drive analysts to select a lower discount rate. As an example of when a 7% discount rate is appropriate, the current Circular A-4 identifies an EPA rule with a 30-year timeframe of costs and benefits.[117] By contrast, greenhouse gas emissions generate effects stretching out across hundreds of years. As Circular A-4 notes, "[p]rivate market rates provide a reliable reference for determining how society values time within a generation, but for extremely long time periods no comparable private rates exist."[118] Circular A-4 discusses how uncertainty over long time horizons drives the discount rate lower.[119] It cites the work of renowned economist Martin Weitzman and concludes that the "certainty-equivalent discount factor . . . corresponds to *the minimum discount rate*

[114] Although the current Circular A-4 provides discount rates of 3% and 7% as a default assumption, it also requires agency analysts to do more than rigidly apply default assumptions. Circular A-4, *supra* note 75, at 3 ("You cannot conduct a good regulatory analysis according to a formula. Conducting high-quality analysis requires competent professional judgment."). As such, analysis must be "based on the best reasonably obtainable scientific, technical, and economic information available," *id.* at 17, and agencies must "*[u]se sound and defensible values* or procedures to monetize benefits and costs, and ensure that key analytical assumptions are defensible," *id.* at 27.

[115] *Id.* at 33.

[116] Draft Circular A-4 Update, *supra* note 11, at 75–76, 78–80.

[117] Circular A-4, note 75, at 34; *see also* Interagency Working Group on the Social Cost of Carbon, Response to Comments: Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866 at 21 (2015), https://obamawhitehouse.archives.gov/sites/default/files/omb/inforeg/scc-response-to-comments-final-july-2015.pdf [hereinafter "Response to Comments"] (noting that "most regulatory impact analysis is conducted over a time frame in the range of 20 to 50 years," and thus do not fully implicate "special ethical considerations [that] arise when comparing benefits and costs across generations").

[118] Circular A-4, note 75, at 36.

[119] *Id*. (explaining that "the longer the horizon for the analysis," the greater the "uncertainty about the appropriate value of the discount rate," which supports a lower rate).

having any substantial positive probability."[120] The National Academies of Sciences makes the same point about discount rates and uncertainty.[121] And indeed, the Draft Circular A-4 Update recognizes that discount rates below 1.7% (and, therefore, well below 7%) should be used for impacts beyond 30 years.[122]

Third, a 7% discount rate also ignores catastrophic risks and the welfare of future generations. As EPA showed in a recent cost-benefit analysis, the 7% rate truncates the long right-hand tail of social costs relative to the 3% rate's distribution.[123] The long right-hand tail represents the possibility of catastrophic damages. Thus, the 7% discount rate effectively assumes that present-day Americans are barely willing to pay anything at all to prevent medium- to long-term catastrophes. It would not be reasonable for NHTSA to discount climate impacts at such a high rate as to effectively ignore the welfare of future generations. Moreover, as noted above, NEPA requires agencies to consider the "long-range character of environmental problems,"[124] and citing this statutory requirement, the Council on Environmental Quality has advised agencies to apply climate-damage valuations that "discount future effects at rates that consider future generations."[125] The 7% discount rate simply does not meet that standard.

Fourth, long-term time horizons counsel particularly strongly against applying a capital-based rate. For instance, recent scholarship from Dr. Qingran Li and Dr. William Pizer finds that, given their best estimate of the shadow price of capital, the appropriate social discount rate collapses to the consumption-based rate within just several decades. Consequently, the longer the time horizon of analysis, the less the capital-based rate is applicable— making the opportunity cost of capital approach entirely inappropriate for long-term effects like climate change.[126] Citing this scholarship, OMB's Draft Circular A-4 Update centralizes the consumption-based discount rate, which it estimates at 1.7%, as the appropriate risk-free social discount rate for regulatory analysis.[127] Particularly given the long time horizon that analysis of climate policies demands, therefore, the capital-based rate is inapplicable.

Fifth, several standard justifications for capital-based discount rates break down given the particular threats of climate change. For example, one argument for capital-based discount rates is that spending capital on climate-abatement policies has opportunity costs and so, in policy analysis, future costs and benefits should be discounted at the rate of return to capital. However, the irreversible, uncertain, and potentially catastrophic risks of climate change may disrupt this

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[120] *Id.*; *see also* Council of Econ. Advisers, *Discounting for Public Policy: Theory and Recent Evidence on the Merits of Updating the Discount Rate* at 9 [hereinafter "CEA Issue Brief"], https://obamawhitehouse.archives.gov/sites/default/files/ page/files/201701_cea_discounting_issue_brief.pdf.

[121] Nat'l Acad. Sci., Engineering & Med., *Valuing Climate Damages: Updating Estimation of the Social Cost of Carbon Dioxide* 28 (2017) [hereinafter "NAS 2017 Report"].

[122] Draft Circular A-4 Update, *supra* note 11, at 76 ("setting one default rate for social rate of time preference for all effects from the present through 30 years into the future," at 1.7%); *id.* at 80–82 (supporting "discounting the benefits and costs accruing to future generations at a lower rate" than 1.7%).

[123] EPA, Benefit and Cost Analysis for Revisions to Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category, at I-4 fig. I-1 (showing the 7% discount rate distribution).

[124] 42 U.S.C. 4332(2)(F).

[125] Council on Env't Quality, National Environmental Policy Act Guidance on Consideration of Greenhouse Gas Emissions and Climate Change, 88 Fed. Reg. 1196, 1203 (Jan. 9, 2023).

[126] Qingran Li & William A. Pizer, *Use of the Consumption Discount Rate for Public Policy Over the Distant Future*, 107 J. ENV'T ECON. & MGMT. 1 (2021); Qingran Li & William A. Pizer, *Discounting for Public Benefit-Cost Analysis*, RES. FOR THE FUTURE 3 (2021).

[127] Draft Circular A-4 Update, *supra* note 11, at 76.

"opportunity cost" rationale: while it may seem, for instance, that future, wealthier generations might have better opportunities to address climate change for themselves, irreversible or catastrophic damages could arise that make future mitigation efforts more expensive or impossible.[128] Similarly, if climate damages are "non-marginal," such that climate change significantly affects the very natural resources needed to drive economic growth, then growth could plummet or the economy could contract.[129]

Sixth, a 7% discount rate is inappropriate because it is based on outdated data and diverges from the current economic consensus. Circular A-4's default assumption of a 7% discount rate was published twenty years ago and was based on data from even earlier.[130] As OMB's Draft Circular A-4 Update reflects, the economic consensus now supports the use of much lower discount rates. In fact, that update drops the opportunity cost of capital approach altogether and endorses a default, risk-free discount rate of 1.7% for all regulatory impact analyses.[131] In a recent article in *Science*, nearly 20 experts expressed strong support for OMB's proposed discounting update, explaining that the proposal is consistent with the leading scholarship in the field.[132] Likewise, the Council of Economic Advisers has called for the use of lower discount rates in regulatory analysis dating back to 2017.[133]

Seventh and finally, a 7% rate is inappropriate because it is now widely recognized that social discount rates reflecting the opportunity cost of capital, even when appropriate, are far below 7%. The 7% opportunity cost of capital rate reflects numerous factors that do not reflect social returns including a private risk premium, land and resource rents, private returns to social externalities, and market power.[134] Recent scholarship from Newell et al. adjusts for these factors and finds an opportunity cost of capital discount rate below 3%.[135]

Executive Order 13,990 instructs agencies to ensure that the social cost of greenhouse gas values adequately account for "intergenerational equity."[136] A 7% rate ignores much of future generations' welfare and so would be inconsistent with those directives. For example, at that discount rate, an expected death 250 years, or about 10 generations, in the future is worth only $0.51 today,[137] and a catastrophic event that would cause $1 trillion in damages 500 years from now is worth well less than one penny today. Notably, even when using high discount rates for

[128] Richard L. Revesz & Matthew R. Shahabian, *Climate Change and Future Generations*, 84 S. CAL. L. REV. 1097, 1149-52 (2011).

[129] *Id.* at 1153 & n.246 (citing Heal's observation that estimates of productivity growth based on historical records omit depletion of natural resources, and thus bias discount rates upwards).

[130] The 7% rate was based on a 1992 report; the 3% rate was based on data from the 30 years preceding the publication of Circular A-4 in 2003. *Id.* at 33–34.

[131] Draft Circular A-4 Update, *supra* note 11, at 76.

[132] Peter H. Howard et al., *U.S. Benefit-Cost Analysis Requires Revision*, 380 SCIENCE 803 (2023). Dr. Howard and Max Sarinsky, the corresponding authors of the *Science* letter, are signatories on this comment.

[133] CEA Issue Brief, *supra* note 120, at 1; *see also id.* at 3 ("In general the evidence supports lowering these discount rates, with a plausible best guess based on the available information being that the lower discount rate should be at most 2 percent while the upper discount rate should also likely be reduced.").

[134] Peter Howard & Jason Schwartz, *Valuing the Future: Legal and Economic Considerations for Updating Discount Rates*, 39 YALE. J. ON REG. 595, 619–20 (2022).

[135] Richard G. Newell, Brian C. Prest & William Pizer, *The Shadow Price of Capital: Accounting for Capital Displacement in Benefit-Cost Analysis*, RES. FOR THE FUTURE (2023).

[136] Exec. Order § 13,990 5(b)(ii)(E).

[137] This figure uses EPA's current value of mortality risk of $11.4 million per expected death (i.e., $7.4 million updated from January 2006 dollars to July 2023 dollars using the consumer price index).

climate damages in 2020, EPA explained that the 7% capital rate did not adequately account for "tradeoffs between improving the welfare of current and future generations."[138] Accordingly, NHTSA's decision not to apply that discount rate for assessing climate damages is wholly justified.

B. Extensive Justification Supports NHTSA's Distinct Approach to Discounting Climate Effects Relative to Other Costs and Benefits

As explained above, NHTSA's choice to use the social cost of greenhouse gases values calculated with consumption-based discount rates is fully justified. But this choice also means NHTSA is calculating the present value of reduced greenhouse gas emissions differently than the present value of other costs and benefits (which, per Circular A-4's default recommendations, it calculates using 3% and 7% discount rates). Extensive justification supports this distinct treatment of climate impacts relative to other costs and benefits.

For one, given the nature of the Proposed Rule's costs and benefits and in light of the Draft Circular A-4 Update, it is more appropriate to discount all effects using consumption-based rates, and so the present-value calculations that include some costs and benefits discounted at a 7% rate can be viewed as lower-bound sensitivity analyses. NHTSA in fact acknowledges this in the Proposed Rule.[139] The capital-based discount rate theoretically assesses whether the net benefits from government action will exceed the returns that society could earn by instead investing the same resources in the private sector. But this framework for discounting and comparing benefits and costs makes sense only under the "extreme" assumption that all the costs of government action would "fully displace" (i.e., crowd out) private investment.[140] In this way, the capital-based rate "at best creat[es] a lower bound on the estimate of net benefits," by applying a maximum discount rate that reflects an extreme case not likely to apply to many government actions.[141] As Li and Pizer explain, a capital-based approach does not provide "a suitable discount rate" for regulatory cost-benefit analysis, in large part because the benefits of regulation—and not just the costs—may fall on capital as well.[142]

Moreover, apart from the widespread support for consumption- over capital-based rates,[143] special legal, economic, and policy considerations justify a distinct approach to discounting climate effects. While effects like compliance costs will play out over the next several decades, the climate effects of this rule are much longer term, affecting the welfare of future generations over centuries. Therefore, the arguments in favor of lower consumption-based discount rates—based on long-term uncertainty, ethics, declining economic growth, inapplicable market data, and other considerations—apply much more strongly to climate effects than to other costs and benefits. And because a high capital-based rate, like 7%, will effectively ignore the welfare of future generations (e.g., over the course of just 80 years, a 7% rate discounts away

[138] 85 Fed. Reg. at 24,735 (explaining that the central analysis focused on a 3% rate, and the 7% rate was used only for sensitivity analysis).

[139] RIA at 5-6 to 5-7 ("[A]pplying OMB's guidance to NHTSA's proposed rule suggests the 3 percent rate is the appropriate rate.").

[140] 2021 TSD, *supra* note 5, at 18-19.

[141] *Id.*

[142] Qingran Li & William A. Pizer, *Discounting for Public Benefit-Cost Analysis*, RES. FOR THE FUTURE 3 (July 2021), https://www.rff.org/publications/issue-briefs/discounting-for-public-benefit-cost-analysis/.

[143] *See* Howard et al., *supra* note 132 ("Recent economic literature strongly supports the use of a consumption discount rate over a capital rate of return over longer time horizons").

99.5% of a future effect's value[144]) legal requirements to consider the welfare of future generations caution much more strongly against the application of a 7% rate to long-term climate effects than to other costs and benefits.

Consequently, as the National Academies of Sciences has recognized, differences in the application of discount rates are warranted "when only some categories [of costs and benefits] have an intergenerational component."[145] The National Academies has offered recommendations for how agencies can best apply different annualized discount rates to climate impacts versus other costs and benefits,[146] and NHTSA can rely on the National Academies' guidance to support its approach to discounting here. Likewise, as noted above, both the current Circular A-4[147] and Draft Circular A-4 Update also recognize that intergenerational effects merit lower discount rates than intragenerational costs and benefits.[148]

Case law on the social cost of greenhouse gases also offers support for NHTSA's discounting approach. Specifically, in *Zero Zone v. Department of Energy*, the plaintiffs argued that the Department of Energy had arbitrarily considered hundreds of years of climate benefits while limiting its assessment of employment impacts and other effects to just a 30-year time horizon. The court upheld the regulatory analysis, concluding that the difference in time horizons was justified because the rule "would have long-term effects on the environment but . . . would not have long-term effects on employment."[149] The choice of time horizons is related to the choice of discount rate: any cost or benefit occurring beyond the end of the analytical time horizon is effectively discounted at 100 percent.[150] Likewise, the long time horizon of climate change justifies a lower discount rate than the rate applied to shorter-term costs and benefits.

III. Common Criticisms of the Working Group's Methodology from Opponents of Climate Regulation Lack Merit

While the Working Group developed its climate-damage valuations through a rigorous process that incorporated the best scientific and economic modeling available at the time, its assumptions have sometimes been criticized by opponents of sensible climate policy. Such objections lack merit and do not supply bases for NHTSA to reject the Working Group's expert valuations. This section offers responses to criticisms from opponents of sensible climate policy.

NHTSA should provide responses to any objections to the Working Group's methodology and valuations raised during this comment period. The Working Group, of course, has already responded to criticisms of its methodology that were offered during the public comment period that it held in 2013,[151] and NHTSA should draw from that document where relevant in responding to objections offered through this notice-and-comment process. But some

[144] The discount factor is $\frac{1}{(1+r)^t}$; $\frac{1}{(1+0.07)^{80}} = 0.0045 = 0.45\%$. Similarly, as noted above, at that discount rate, an expected death 250 years, or about 10 generations, in the future is worth only $0.51 today, and a catastrophic event that would cause $1 trillion in damages 500 years from now is worth well less than one penny today.

[145] NAS 2017 Report, *supra* note 121, at 182.

[146] *Id.*

[147] Circular A-4, *supra* note 75, at 35–36.

[148] Draft Circular A-4 Update, *supra* note 11, at 80–82.

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

[150] *See* Arden Rowell, *Time in Cost-Benefit Analysis*, 4 U.C. IRVINE L. REV. 1215, 1237-38 (2014) (noting time inconsistencies in different regulatory analyses and advising agencies to identify a temporal break-even point by which a proposed policy will pay for itself).

[151] Response to Comments, *supra* note 117.

objections are now being raised that were not offered during the 2013 comment period, while some of the responses that the Working Group provided can be supplemented with more recent information. Below, we provide brief responses to common objections that are now being presented by opponents of climate regulation.

1. The Social Cost of Greenhouse Gases Valuations Are Not Too Uncertain

While critics sometimes argue that there is too much uncertainty to rely on the Working Group's climate-damage valuations, this argument is incorrect on multiple levels. As a legal matter, the presence of some uncertainty should not preclude agencies from using available valuations. And as a factual matter, the Working Group rigorously considered uncertainty and accounted for it in numerous ways. Moreover, the presence of continued uncertainty suggests that the social cost valuations should be higher than presently valued—not that climate damages should be ignored. This is confirmed by EPA's Draft SC-GHG Update, which incorporates the latest available research and produces substantially higher climate-damage valuations than those the Working Group previously developed.

Federal courts have repeatedly recognized that agency analysis necessitates making predictive judgments under uncertain conditions, explaining that "[r]egulators by nature work under conditions of serious uncertainty" [152] and "are often called upon to confront difficult administrative problems armed with imperfect data."[153] As the Ninth Circuit has explained, "the proper response" to the problem of uncertain information is not for the agency to ignore the issue but rather "for the [agency] to do the best it can with the data it has."[154] As that court put it in a different case, even if uncertain, "the value of carbon emissions reduction is certainly not zero."[155] Courts generally grant broad deference to agencies' analytical methodologies and predictive judgments so long as they are reasonable and do not require agencies to act with complete certainty.[156]

The Working Group rigorously considered various sources of long-term uncertainty "through a combination of a multi-model ensemble, probabilistic analysis, and scenario analysis."[157] As the Working Group explained, the three reduced-form integrated assessment models (IAMs) account for uncertainty themselves by spanning a range of economic and ecological outcomes.[158] Additionally, the use of three separate models—all developed by different experts spanning a range of views—accounts for uncertainty by integrating a diversity of viewpoints and structural and analytical considerations.[159]

In addition to the use of three distinct damage models with different inputs and assumptions, the Working Group integrated various sources of uncertainty into its damage valuations. For instance, the Working Group applied an equilibrium climate sensitivity—that is, an estimate of how much an increase in atmospheric greenhouse gas concentrations affects

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[152] Pub. Citizen v. Fed. Motor Carrier Safety Admin., 374 F.3d 1209, 1221 (D.C. Cir. 2004).
[153] Mont. Wilderness Ass'n v. McAllister, 666 F.3d 549, 559 (9th Cir. 2011).
[154] *Id.*
[155] *Id.* at 1200.
[156] *See* Wis. Pub. Power, Inc. v. FERC*,* 493 F.3d 239, 260 (D.C. Cir.2007) ("It is well established that an agency's predictive judgments about areas that are within the agency's field of discretion and expertise are entitled to particularly deferential review, so long as they are reasonable.").
[157] 2021 TSD, *supra* note 5, at 26.
[158] *See id.*
[159] *See id.*

global temperatures—that reflects a broad distribution of possible outcomes.[160] The Working Group also applied five different socioeconomic and emissions trajectories from the published literature reflecting a range of possible outcomes for future population growth, global gross domestic product, and greenhouse gas emission baselines—all important inputs that affect long-term climate damage estimates.[161] The Working Group ran each integrated assessment model 10,000 times per scenario (and per greenhouse gas) for a total of 150,000 draws per greenhouse gas and then averaged across those results to develop its recommended estimates.[162] In addition to reporting the average valuations, the Working Group published the results of each model run under each scenario.[163]

Moreover, experts broadly agree—and EPA's Draft SC-GHG Update confirms—that the presence of uncertainty in the social cost valuations counsels for more stringent climate regulation, not less.[164] This is due to various factors including risk aversion, the informational value of delaying climate change impacts, and the possibility of irreversible climate tipping points that cause catastrophic damage.[165] In fact, as discussed above and emphasized in EPA's Draft SC-GHG Update, uncertainty is a factor justifying lowering the discount rate, particularly in intergenerational settings.[166] Furthermore, the current omission of key effects of climate change—such as catastrophic damages, wildfires and certain cross-regional spillover effects—also suggests that the true social cost values are likely higher than the Working Group's current estimates, even if they are uncertain.[167]

2. The Working Group Did Not Bias Its Estimates by Ignoring Positive Impacts of Climate Change

Critics sometimes claim that the Working Group's climate-damage values ignore important positive impacts of a warming climate. Examples that have been offered to support this argument include alleged agricultural benefits from higher temperatures and decreased

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[160] *Id.* at 13 tbl.1 (showing 5th–95th probability range of distributions in the chosen Roe & Baker model from 1.72°C from a doubling of atmospheric greenhouse gas concentrations to 7.14°C).

[161] *Id.* at 15–17 & tbl.2.

[162] *Id.* at 28; *see also* 2021 TSD, *supra* note 5, at 26–27 (providing additional detail).

[163] Interagency Working Group, *Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis* 26 tbl.3 (2010) ["2010 TSD"].

[164] *See, e.g.*, Alexander Golub et al., *Uncertainty in Integrated Assessment Models of Climate Change: Alternative Analytical Approaches*, 19 ENV'T MODELING & ASSESSMENT 99 (2014) ("The most important general policy implication from the literature is that despite a wide variety of analytical approaches addressing different types of climate change uncertainty, none of those studies supports the argument that no action against climate change should be taken until uncertainty is resolved. On the contrary, uncertainty despite its resolution in the future is often found to favor a stricter policy.").

[165] The undersigned organizations have filed comments in numerous regulatory proceedings highlighting the various forms of uncertainty that increase the social cost of greenhouse gases, and providing numerous references. *See, e.g.*, Environmental Defense Fund et al., *Improper Valuation of Climate Effects in the Proposed Revised Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS*, Technical App'x: Uncertainty (Dec. 14, 2020), https://policyintegrity.org/documents/Joint_SCC_comments_EPA_revised_CSAPR_Ozone_NAAQS_2020.12.14.pdf.

[166] Peter Howard & Jason A. Schwartz, Inst. for Pol'y Integrity, *About Time: Recalibrating the Discount Rate for the Social Cost of Greenhouse Gases* 13– 25 (2021).

[167] Interagency Working Group, *Technical Support Document: Social Cost of Carbon for Regulatory Impact Analysis* 21 (2016) ["2016 TSD"] (recognizing that "these limitations suggest that the [social cost of greenhouse gases] estimates are likely conservative").

wintertime mortality. But these arguments are legally and factually dubious, and miss the forest for the trees.

Mere omission of some impacts does not counsel for abandoning the social cost estimates, particularly since independent experts—and EPA's Draft SC-GHG Update—widely agree that those estimates likely undervalue true climate damages because they omit far more negative effects than positive ones. For instance, the Working Group has explained that several of the underlying economic models omit certain major damage categories such as catastrophic damages, certain cross-regional spillover effects, and the effects of increased wildfires.[168] These effects can be massive: One paper, for instance, finds that the inclusion of tipping points doubles the social cost estimates,[169] with another paper concluding that the effect is even greater and thus the Working Group's existing values "may be significantly underestimating the needs for controlling climate change."[170] The current consensus of experts puts damages for a 3°C increase in global average temperature at roughly 5% to 10% of gross domestic product,[171] which is substantially higher than the damages estimated by the IAMs.[172] And as the Ninth Circuit has explained, the presence of some omitted damages does not provide a legal basis to ignore established methodologies to monetize climate damages, since while "there is a range of [plausible] values, the value of carbon emissions reduction is certainly not zero."[173]

In addition to its legal shortcomings, arguments about the impact of positive externalities are also factually suspect. For instance, while agricultural benefits have become a flashpoint in this debate, the IAMs in fact do account for the potential agricultural benefits of carbon dioxide fertilization from a warming planet.[174] And evidence suggests that, if anything, these models likely overvalue agricultural benefits from a warming planet—and thus undervalue the social cost of greenhouse gases.[175] One paper, for instance, concludes that estimates of net agricultural impacts produced an undervaluation of the social cost values by more than 50%, explaining that "new damage functions reveal far more adverse agricultural impacts than currently represented"

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[168] 2010 TSD, *supra* note 163, at 26, 32.

[169] Derek Lemoine & Christian P. Traeger, *Economics of Tipping the Climate Dominoes*. 6 NATURE CLIMATE CHANGE 514 (2016).

[170] Yongyang Cai et al., *Environmental Tipping Points Significantly Affect the Cost-Benefit Assessment of Climate Policies*, 112 PROCS. NAT'L ACADS. SCIS. 4606 (2015).

[171] *See, e.g.*, Peter Howard & Derek Sylvan, Inst. for Pol'y Integrity, *Gauging Economic Consensus on Climate Change* 25 (2021) (reporting mean estimate of 8.5% GPD loss and median estimate of 5% loss, based on elicitation of over 700 climate-policy experts).

[172] 2010 TSD, *supra* note 163, at 9 fig.1A (showing range of GDP loss below 5% for 3°C temperature increase).

[173] *Ctr. for Biological Diversity*, 38 F.3d at 1200.

[174] *See* Peter Howard, *Omitted Damages: What's Missing from the Social Cost of Carbon* 6 (2014), https://policyintegrity.org/files/publications/Omitted_Damages_Whats_Missing_From_the_Social_Cost_of_Carbon.pdf. *See also* Inst. for Pol'y Integrity, *A Lower Bound: Why the Social Cost of Carbon Does Not Capture Critical Climate Damages and What That Means for Policymakers* 5 (2019), https://policyintegrity.org/files/publications/Lower_Bound_Issue_Brief.pdf; *Climate Impacts Reflected in the SCC Estimates*, Cost of Carbon Project, https://costofcarbon.org/scc-climate-impacts.

[175] *See, e.g.*, Frances C. Moore et al., *Economic Impacts of Climate Change on Agriculture: A Comparison of Process-Based and Statistical Yield Models*, 12 ENV'T RES. LTRS., 65008 ("[W]e find little evidence for differences in the yield response to warming. The magnitude of CO_2 fertilization is instead a much larger source of uncertainty. Based on this set of impact results, we find a very limited potential for on-farm adaptation to reduce yield impacts.").

in the IAMs used by the Working Group.[176] And a comprehensive investigation of the impacts of climate change on agriculture has rejected the hypothesis "that agricultural damages over the next century will be minimal and indeed that a few degrees Celsius of global warming would be beneficial for world agriculture," concluding that climate change "will have at least a modest negative impact on global agriculture in the aggregate."[177] This conclusion is confirmed by the Draft SC-GHG Update, which finds that climate change on net will harm, not benefit, the agricultural sector.[178]

Other arguments focusing on omitted positive impacts are equally misguided. For example, while some critics of the Working Group's methodology misleadingly point out that one of the models, DICE, focuses on increased heat-related mortality and does not account for reductions in wintertime mortality, consideration of the many damages omitted from the IAMs (such as particulate matter from wildfires, deaths from flooding, and deaths from Lyme and other tick-based diseases), including certain mortality effects, consistently point toward higher climate-damage values.[179] One recent study concludes that the IAMs, on net, greatly undervalue mortality from climate change.[180] Focusing on the omission of reductions in wintertime mortality thus misses the forest for the trees, and does not supply a basis to disregard the Working Group's valuations.

3. The Working Group Did Not Overstate the Pace of Climate Change

Critics sometimes allege that the chosen Equilibrium Climate Sensitivity (ECS) distribution—that is, the amount of warming that is expected to result from a doubling of the atmospheric carbon dioxide concentration—is outdated and fails to account for recent evidence showing that sensitivity to be lower than previously believed. But these arguments rely on cherry-picked data and ignore the scientific consensus.

In 2016, the National Academies of Sciences dedicated an entire report to whether the Working Group should update the social cost metrics to reflect more recent science on the ECS. The National Academies decided that such an update was unnecessary, "recommend[ing] against a near-term change in the distributional form of the ECS" and explaining that any reasonable revisions on this front would "have a minimal impact on estimates of the [social cost of greenhouse gases]."[181]

On top of the National Academies' rejection of this argument, there is little support for the claim that the Working Group overstated the pace of climate change. The most recent estimate from the Intergovernmental Panel on Climate Change (IPCC)—which reflects consensus estimates from the worldwide scientific community—projects an ECS range from

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[176] Frances C. Moore et al., *New Science of Climate Change Impacts on Agriculture Implies Higher Social Cost of Carbon*, 8 NATURE COMMUNS. 1607 (2017).

[177] WILLIAM R. CLINE, GLOBAL WARMING AND AGRICULTURE: IMPACT ESTIMATES BY COUNTRY 1–2 (2007).

[178] Draft SC-GHG Update, *supra* note 10, at 70 tbl.3.1.4 (breaking down damage estimates by sector/category).

[179] *See, e.g.,* Howard, *supra* note 174; *see also* 2016 TSD, *supra* note 167, at 21.

[180] *See* Tamma A. Carleton et al., *Valuing the Global Mortality Consequences of Climate Change Accounting for Adaptation Costs and Benefits* (U. Chicago, Becker Friedman Inst. for Econ. Working Paper No. 2018-51) (Jul. 31, 2019), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3224365 (finding that new empirical estimates suggest that the increase in morality risk from climate change is valued at approximately 3.2% of global GDP in 2100).

[181] Nat'l Acad. Scis., Eng'g & Med., *Assessment of Approaches to Updating the Social Cost of Carbon: Phase 1 Report on a Near-Term Update* 34, 46 (2016), https://perma.cc/TJM6-XE65 [hereinafter "NAS 2016 Report"].

2.5°C to 4°C, with 3°C as a "best estimate."[182] This is consistent with the range applied by the Working Group—based off of Roe & Baker—which uses 3°C as its median and 3.5 °C as its mean ECS value.[183] In evaluating the ECS, the Working Group assessed estimates from a wide range of experts and selected consensus values. In fact, as the Working Group acknowledged, some ECS estimate ranges go as high as 10º C, making its selected ECS distribution substantially lower than these high-end estimates and a reasonable middle range.[184] The Draft SC-GHG Update confirms this approach by applying a similar ECS value using the FaIR model.[185]

In previous dockets, opponents of the Working Group's estimates have cited Lewis & Curry (2015)—which estimates a median ECS of 1.64 ºC with an uncertainty range (5–95%) of 1.05–4.05 ºC—to suggest that the Working Group applied an inappropriately high ECS range.[186] But in light of the consensus estimates discussed above, that paper is a severe outlier. Since its publication, Lewis & Curry (2015) has been criticized by other climate scientists for methodological deficiencies that may cause it to underestimate the ECS.[187] And as noted above, the National Academies did not think that Lewis & Curry (2015) merited an update to the Working Group's valuations to revise the ECS estimates.[188]

Critics further argue that the ECS distribution applied by the Working Group inappropriately skews rightward, meaning that its mean ECS value exceeds the median value of 3º C that the IPCC has indicated. But that decision is a feature, not a bug. As the National Academies explained, the IPCC has found that there is a "positively skewed distributional form for [the ECS] parameter" similar to the ECS distribution applied by the Working Group.[189] (This too is confirmed in EPA's Draft SC-GHG Update.[190]) In other words, the mean ECS value is and should be higher than the median ECS value, and the Working Group applied an appropriate distribution. Criticisms to the contrary are meritless.

4. The Working Group Applied a Reasonable Range of Emission Baselines

Critics sometimes argue that the Working Group's valuations are an overestimate because they apply outdated emission scenarios that exaggerate the baseline level of atmospheric greenhouse gas levels. Using a higher baseline level of emissions raises the social cost estimates because the harm from an additional unit of emissions increases with the baseline atmospheric emissions level. However, the Working Group used a reasonable emissions baseline that reflects different possible mitigation scenarios.

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[182] IPCC, *AR6 Synthesis Report* SPM-14 (2021).

[183] 2010 TSD, *supra* note 163, at 13 tbl.1.

[184] *Id.* at 14 fig.2.

[185] Draft SC-GHG Update, *supra* note 10, at 28–29 & tbl.2.2.1.

[186] Nicholas Lewis & Judith A. Curry, *The Implications for Climate Sensitivity of AR5 Forcing and Heat Uptake Estimates*, 45 CLIMATE DYNAMICS 1009 (2015).

[187] *See, e.g.*, Kate Marvel et al., *Internal Variability and Disequilibrium Confound Estimates of Climate Sensitivity from Observations*, 45 GEOPHYS. RES. LTRS. 1595 (2018) ("[A] range of recent work … suggests that [Lewis & Curry (2015)] may underestimate equilibrium warming."); Timothy Andrews et al., *Accounting for Temperature Patterns Increases Historical Estimates of Climate Sensitivity*, 45 GEOPHYS. RES. LTRS. 8490 (2018) (explaining that Lewis and Curry disregard "the impact from non-CO_2 forcings and unforced climate variability that could have had a significant impact on the pattern of historical temperature change").

[188] NAS 2016 Report, *supra* note 181.

[189] *Id.* at 25.

[190] Draft SC-GHG Update, *supra* note 10, at 29 tbl.2.2.1 (reporting mean ECS of 3.18 °C and median of 2.95 °C).

While the Working Group assumed a baseline emissions range of 13–118 gigatons of carbon dioxide emitted per year by 2100,[191] recent projections from the Climate Action Tracker indicate that baseline emissions will reach between 14–175 gigatons of carbon dioxide by 2100 under a range of scenarios reflecting different levels of mitigation.[192] Thus, the baselines used by the Working Group potentially understate baseline emissions rather than overvalue them as opponents argue. Several of the Working Group's supposedly "business-as-usual" scenarios are actually more consistent with baseline estimates reflecting policy projections.[193] Accordingly, the criticism that the Working Group overestimated future greenhouse gas concentrations in the atmosphere falls flat.

Moreover, this choice does not particularly affect the social cost valuations. In comparison to the Working Group's central social cost of carbon estimate in 2020 of $51 per ton, the average social cost of carbon under the Working Group's supposed business-as-usual emissions scenarios is $53 per ton and $41 per ton under the emissions scenario that is consistent with sustained and widespread mitigatory action.[194] While relying less on the Working Group's supposed business-as-usual scenarios would therefore modestly decrease the interim social cost valuations in a vacuum, more holistic updates to the metrics as recommended by the National Academies of Sciences would very likely increase the social cost valuations overall—as confirmed by EPA's Draft SC-GHG Update—due to incorporating some of the omitted damages discussed above and recent evidence regarding intergenerational discount rates.[195] At best, therefore, this argument makes a mountain out of a molehill.

5. The Working Group Applied Scientifically-Based Damage Models

Critics sometimes claim that the IAMs—the damage functions for translating climate impacts into economic losses—are flawed and arbitrary. While newer data has enabled the development of updated damage models that EPA applies in the Draft SC-GHG Update, the Working Group's damage functions nonetheless are based on reasonable assumptions made by a range of experts.[196] They have also withstood scientific scrutiny, and while opponents of climate reform frequently highlight criticism of the damage functions by a notable economist, they take this criticism out of context.

The Working Group selected three models of climate damages that, when the Working Group selected them in 2010, were the most widely used and cited models in the economics

[191] 2010 TSD, *supra* note 163, at 16 tbl.2.

[192] Climate Action Tracker, *Global Emissions Time Series* (Dec. 1, 2020), https://perma.cc/B4X2-RAWA.

[193] *Compare id.* (projecting 35–48 gigatons of emissions in 2100 under "current policy projections" scenarios and 83–175 gigatons under business-as-usual scenario) *with* 2010 TSD, *supra* note 163, at 16 tbl.2 (incorporating supposedly business-as-usual scenarios of 42.7 and 60.1 gigatons in 2100).

[194] *See* Peter Howard et al., *Option Value and the Social Cost of Carbon: What Are We Waiting For?* (Inst. for Pol'y Integrity Working Paper No. 2020/1) at 16 tbl.1 (2020), https://policyintegrity.org/files/publications/Working_paper_06.22.20.pdf.

[195] *See* 2021 TSD, *supra* note 5, at 4 (Working Group acknowledging that its current social cost valuations "likely underestimate societal damages from [greenhouse gas] emissions").

[196] Response to Comments, *supra* note 117, at 8 ("While the development of the DICE, FUND and PAGE models necessarily involved assumptions and judgments on the part of the modelers, the damage functions are not simply arbitrary representations of the modelers' opinions about climate damages.").

literature linking physical climate impacts to economic damages[197]: the DICE, FUND, and PAGE models.[198] These models were developed by outside experts, published in peer-reviewed economic literature,[199] and the product of extensive scholarship and expertise. One of the models, DICE, was developed by William Nordhaus, an economics professor and former provost of Yale University who won a Nobel Memorial Prize in Economic Sciences for developing the model. And PAGE's developer, Chris Hope, was a lead author and review editor for the Third and Fourth Assessment Reports of the IPCC, which shared the Nobel Peace Prize in 2007 with former U.S. Vice President Al Gore.[200]

The three models reflect a wide diversity of methodological assumptions about a range of key parameters and inputs.[201] This reflects, in part, different judgments about the experts who developed the models. For instance, Richard Tol, who developed the FUND model, has stated that "[t]he impact of climate change is relatively small," and dismissed much of the research behind climate change as "scaremongering" rather than "sound science."[202] Unsurprisingly, his model produces the lowest damage estimates of the three models incorporated by the Working Group.[203] William Nordhaus, who developed the DICE model, is widely credited with popularizing the goal that global temperatures increase no more than 2° Celsius (or 3.6° Fahrenheit) above pre-industrial levels[204]—a goal now considered conservative by the global community.[205] His model produces higher damage estimates that are close to the Working Group's average damage valuations.[206]

Opponents of climate mitigation policy sometimes point to criticisms from Robert S. Pindyck, a noted climate economist who has been critical of the Working Group's choice of damage functions. But as Professor Pindyck has himself stated, his "writings continue to be taken out of context by some to unfairly attack the Interagency Working Group's methodology and its interim estimates."[207] While Professor Pindyck has questioned the shape of the models'

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[197] Response to Comments, *supra* note 117, at 4 (stating the models "remain the most widely cited"), 8 (quoting the National Academies of Sciences for recognizing that the chosen models represent "the most widely used impact assessment models" available).

[198] 2010 TSD, *supra* note 163, at 5.

[199] Response to Comments, *supra* note *supra* note 117, at 4.

[200] *See* Chris Hope faculty bio page, University of Cambridge Judge Business School, https://www.jbs.cam.ac.uk/faculty-research/research-teaching-staff/chris-hope/.

[201] *See* 2010 TSD, *supra* note 163, at 6 (discussing how "[t]he parameters and assumptions embedded in the three models vary widely").

[202] Richard S.J. Tol, *Why Worry About Climate Change?*, ESRI Research Bulletin 2009/1/1, at 3, 5 (2009).

[203] *See* 2010 TSD, *supra* note 163, at 50 tbl.A5 (reporting that FUND model has the lowest mean estimate of the three models at all discount rates, including a negative social cost of carbon estimate at a 5% discount rate).

[204] The 2° C Limit on Global Warming, The Economist (Dec. 6, 2015), https://www.economist.com/the-economist-explains/2015/12/06/the-2degc-limit-on-global-warming.

[205] For instance, the Paris Agreement calls for governments to "hold[] the increase in the global average temperature to well below 2°C above pre-industrial levels and pursu[e] efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change." Paris Agreement to the United Nations Framework Convention on Climate Change, Art. 2(1)(a), Dec. 12, 2015, T.I.A.S. No. 16-1104.

[206] *Compare* 2010 TSD, *supra* note 163, at 50 tbl.A5 *with id.* at 1.

[207] Robert S. Pindyck, Comments on "Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates Under Executive Order 13990" at 1 (June 15, 2021), https://www.regulations.gov/comment/OMB-2021-0006-0012.

damage functions,[208] he has acknowledged that the damage functions reflect "common beliefs" about the effects of two or three degrees of warming.

And Pindyck states that uncertainty about the social cost estimates, including the damage functions, "does not imply that [their] value should be set to zero until the uncertainty is resolved."[209] In fact, he actually advocates for an even higher social cost value than that produced by the Working Group[210] and declared in 2017 (prior to the release of the Draft SC-GHG Update) that "the federal government should continue to use the [Working Group's] interim estimates . . . as lower bound estimates."[211]

In other words, the best critic of the Working Group's methodology that opponents could find *supports* the continued use of the Working Group's estimates and considers them to be conservative underestimates of the true cost to society of greenhouse gas emissions. His conclusion is supported by EPA's Draft SC-GHG Update, which provides conclusive evidence that the Working Group's climate-damage valuations are underestimates. Accordingly, criticisms of the Working Group's valuations from opponents of sensible climate policy are groundless.

IV. NHTSA Should Conduct Additional Analysis Using the Climate-Damage Estimates from the Draft SC-GHG Update and the Discounting Approach from the Draft Circular A-4 Update

While NHTSA's application of the Working Group's climate-damage valuations as conservative underestimates is legally justified, the agency should conduct additional analysis using the draft climate-damage valuations that EPA recently published.[212]

EPA's draft valuations faithfully implement the roadmap laid out in 2017 by the National Academies of Sciences for updating the social cost of greenhouse gases[213] and apply recent advances in science and economics on the costs of climate change. EPA's methodology and valuations are consistent with those applied by a range of expert independent researchers. And while EPA's draft valuations remain underestimates,[214] they more fully account for the costs of climate change by incorporating the latest available research on climate science, damages, and discount rates. While NHTSA should apply the Draft SC-GHG Update in sensitivity analysis if it

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[208] Robert S. Pindyck, *Climate Change Policy: What do the Models Tell Us? (*N*at'l Bureau of Econ. Research, Working Paper No. 19244)* 16 (2013), https://perma.cc/G25M-MA7W.

[209] Robert S. Pindyck, Comments to Ms. Catherine Cook, Bureau of Land Management, on Proposed Rule and Regulatory Impact Analysis on Delay and Suspension of Certain Requirements for Waste Prevention and Resource Conservation 3 (Nov. 6, 2017), https://perma.cc/8MY5-58P5; *see also* Pindyck, *supra* note 208, at 16 (My criticism of IAMs should not be taken to imply that because we know so little, nothing should be done about climate change right now, and instead we should wait until we learn more. Quite the contrary.").

[210] Pindyck, *supra* note 207, at 1 ("My work instead strongly suggests that the estimates of the social cost of greenhouse gases should be higher than the February 2021 interim estimates[.]") In 2019, Pindyck's own estimate of the average social cost of carbon dioxide was between $80 to $100, with plausible values going up to $200. Robert S. Pindyck, *The Social Cost of Carbon Revisited*, 94 J. ENV'T ECON. & MGMT. 140, 140, 154–55 (2019). This is far higher than the Working Group's current central estimate of $51.

[211] Pindyck, *supra* note 207, at 1.

[212] Draft SC-GHG Update, *supra* note 10.

[213] Nat'l Acads. Sci., Engineering & Med., Valuing Climate Damages: Updating Estimation of the Social Cost of Carbon Dioxide (2017).

[214] Draft SC-GHG Update, *supra* note 10, at 4 ("[B]ecause of data and modeling limitations . . . estimates of the SC-GHG are a partial accounting of climate change impacts and, as such, lead to underestimates of the marginal benefits of abatement."); *id*. at 72.

finalizes this regulation prior to EPA's finalization of that update, it should apply those valuations in its primary analysis (with the Working Group's estimates in sensitivity analysis) should EPA finalize the SC-GHG Update before the completion of this rule.

Likewise, NHTSA should also conduct additional analysis using the discounting approach from the Draft Circular A-4 Update. The Draft Circular A-4 Update would ensure that long-term benefits and costs receive proper consideration in regulatory impact analysis. Specifically, the Draft Circular A-4 Update proposes to lower the default, risk-free consumption discount rate used in regulatory impact analysis from the current 3% to 1.7%, based on updated data and extensive economic scholarship.[215] Also reflecting current economic literature, the update would eliminate the use of the opportunity cost of capital discount rate (i.e., the 7% rate in the current Circular A-4) and replace it with the shadow price of capital approach.[216] These updates are consistent with the best available evidence and widely supported by the leading experts in the field.[217] Once again, NHTSA should apply the discounting approach from the Draft Circular A-4 Update in sensitivity analysis if it finalizes this regulation prior to OMB's finalization of that update, and consider applying that approach in its primary analysis should OMB finalize the Circular A-4 Update before this rule is finalized.

Table 1 shows the net benefits of all light-duty alternatives from the Proposed Rule by social cost of greenhouse gas value and social discount rate. As recommended in this section, it applies EPA's Draft SC-GHG Update (using its central 2% Ramsey discount rate) and the 1.7% discount rate from the Draft Circular A-4 Update.

Table 1: Incremental Net Social Benefits for the On-Road Fleet CY 2022–2050 (2021$ Billions), by Alternative, Social Discount Rate, and Social Cost of GHG

	3% Social Discount Rate				**1.7% Social Discount Rate**			
	PC1LT3	PC2LT4	PC3LT5	PC6LT8	**PC1LT 3**	**PC2LT4**	**PC3LT5**	**PC6LT8**
SC-GHG 5% Average	11.9	16.3	-18.2	-16.9	**19.5**	**26.6**	**-15.1**	**-8.5**
SC-GHG 3% Average	34.2	46.5	21.0	51.0	**41.8**	**56.7**	**24.1**	**59.4**
SC-GHG 2.5% Average	50.1	68.0	49.0	99.7	**57.7**	**78.2**	**52.1**	**108.0**
SC-GHG 3%, 95th percentile	94.1	127.5	126.3	233.5	**101.7**	**137.8**	**129.4**	**241.8**
Draft Update SC-GHG 2%	**132.2**	**179.1**	**193.9**	**352.0**	**139.8**	**189.4**	**197.0**	**360.3**

[215] Draft Circular A-4 Update, *supra* note 11, at 75–76.
[216] *Id.* at 78–80.
[217] Howard et al., *supra* note 132.

As Table 1 illustrates, the net benefits of all light-duty alternatives increase substantially when revised climate-damage valuations and discount rates are applied. Additionally, the net benefits of the more stringent standards increase more than the net benefits of less stringent standards. For instance, the net benefits of PC6LT8 exceed those of PC2LT4 by more than $170 billion using the updated climate-damage valuations and discount rates—compared to just $5 billion under NHTSA's primary analysis (at a 3% discount rate for all effects and central climate damages).

By applying the latest available science and evidence on both discounting and valuing climate damages, NHTSA will ensure a more complete presentation and analysis of the benefits and costs of the Proposed Rule and any alternatives that it considers.

Conclusion

For the foregoing reasons, it is appropriate for NHTSA to continue to apply the Working Group's valuations of the social cost of greenhouse gases in the Proposed Rule as conservative underestimates. Nonetheless, to bolster its assessment of the costs and benefits of the Proposed Rule and potential alternatives, NHTSA should conduct additional analysis using the climate-damage estimates from the Draft SC-GHG Update and the discounting approach from the Draft Circular A-4 Update.

Sincerely,

Center for Biological Diversity
Environmental Defense Fund
Institute for Policy Integrity at New York University School of Law
Montana Environmental Information Center
Natural Resources Defense Council
Sierra Club
Western Environmental Law Center

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Attachments:

1) Council of Econ. Advisers, *Discounting for Public Policy: Theory and Recent Evidence on the Merits of Updating the Discount Rate* (CEA Issue Brief, 2017)
2) Moritz Drupp, et al., *Discounting Disentangled: An Expert Survey on the Determinants of the Long-Term Social Discount Rate* (London School of Economics and Political Science Working Paper, May 2015)

3) Moritz Drupp et al., Comments on Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates Under Executive Order 13990 (June 20, 2021)
4) Trevor Houser & Kate Larsen, *Calculating the Climate Reciprocity Ratio for the U.S.*, Rhodium Group (Jan. 21, 2021)
5) Peter Howard, *Omitted Damages: What's Missing from the Social Cost of Carbon,* COST OF CARBON PROJECT REPORT (2014)
6) Peter Howard & Jason A. Schwartz, *About Time: Recalibrating the Discount Rate for the Social Cost of Greenhouse Gases* (2021)
7) Peter Howard & Jason Schwartz, *Foreign Action, Domestic Windfall* (2015)
8) Peter Howard & Jason Schwartz, *Think Global: International Reciprocity as Justification for a Global Social Cost of Carbon*, 42 COLUMBIA J. ENV'T L. 203 (2017)
9) Peter Howard & Derek Sylvan, *Gauging Economic Consensus on Climate Change* (2021)
10) Interagency Working Group on the Social Cost of Greenhouse Gases, Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide – Interim Estimates Under Executive Order 13,990 (2021)
11) Matthew J. Kotchen, *Which Social Cost of Carbon? A Theoretical Perspective*, 5 J. ASSOC. ENV'T & RES. ECON. 673 (2017)
12) Qingran Li & William A. Pizer, *Use of the Consumption Discount Rate for Public Policy over the Distant Future*, 107 J. ENV'T ECON. & MGMT. 102,428 (2021)
13) National Academies of Sciences, *Assessment of Approaches to Updating the Social Cost of Carbon: Phase 1 Report on a Near-Term Update* (2016)
14) Iliana Paul & Max Sarinsky, *Playing with Fire: Responding to Criticism of the Social Cost of Greenhouse Gases* (2021)
15) Robert S. Pindyck, Comments on "Technical Support Document: Social Cost of Carbon, Methane, and Nitrous Oxide Interim Estimates Under Executive Order 13990" (June 15, 2021)
16) Richard L. Revesz et al., *Global Warming: Improve Economic Models of Climate Change*, 508 NATURE 173–175 (2014).
17) Richard L. Revesz & Matthew R. Shahabian, *Climate Change and Future Generations*, 84 S. CAL. L. REV. 1097 (2011)
18) Jason A. Schwartz, *Strategically Estimating Climate Pollution Costs in a Global Environment* (2021)