



Institute for Policy Integrity

new york university school of law

April 8, 2010

The Honorable Lisa Jackson, Administrator
Environmental Protection Agency
1200 Pennsylvania Avenue N.W.
Washington, D.C. 20460

Dear Administrator Jackson:

I am writing to urge the Environmental Protection Agency (EPA) to undertake a thorough benefits analysis alongside any studies of the economic cost the agency does of climate change legislation introduced in the Senate.

As the discussion of climate change legislation has progressed over the past several years, Congress has, at several points, requested EPA's assistance to investigate the likely economic consequences of proposed legislation.¹ However, while EPA has provided monetary estimates of the costs of legislation, it has not provided similar monetary estimates of the benefits of climate change legislation. Now the Senate, as it prepares to potentially take up climate legislation, may again request EPA's assistance in providing economic analysis of proposed bills.

It is important that, with any analysis of the costs of potential legislation, EPA conduct a similar systematic review of the potential scope and magnitude of the benefits that a proposed bill will generate. A balanced and rigorous analysis of costs and benefits is an invaluable decisionmaking tool for legislators. In order to craft legislative language, to compare a bill with competing legislative alternatives, and ultimately to cast a rational and educated vote, legislators need to understand the full range of consequences—both positive and negative—that their decisions will have on the economy, the environment, and public health.

But so far, in its study of climate change legislation, Congress has focused its information-gathering efforts much more on costs than benefits. Climate change is arguably among the most complex issues to face Congress in recent memory, and it is important that its deliberations be informed by more than half the picture. The costs of failing to act are just as important as the costs associated with taking action.

EPA can help ensure that the Senate pursues a rational approach to climate change legislation by analyzing the likely benefits of such legislation and releasing a thorough report both to Congress and to the public. The report should first explore the potential direct benefits of mitigating the speed and severity of climate change effects, including the myriad impacts on the environment, the economy, public health, and national security.² Additionally, the report should reflect the many potential indirect benefits of cutting greenhouse gas emissions,

¹ See EPA, Climate Change—Climate Economics, Economic Analyses, <http://epa.gov/climatechange/economics/economicanalyses.html>.

² See EPA, TECHNICAL SUPPORT DOCUMENT ON BENEFITS OF REDUCING GHG EMISSIONS (2008) (listing the many impacts of climate change).

such as the environmental benefits of slowing ocean acidification, and the ancillary economic and health benefits of reducing the emission of co-pollutants.³

The task of analyzing these benefits is greatly facilitated by the recently released report, *Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12,866* by the U.S. Government Interagency Working Group on the Social Cost of Carbon.⁴ In this report, the interagency taskforce conducts an extensive discussion and review of the relevant economic literature to derive a monetary value for greenhouse gas reductions for use in cost-benefit analysis of regulations with climate change impacts, creating a range of estimates of \$5, \$21, \$35, and \$65 (2007 dollars) per ton of greenhouse gases avoided.⁵ EPA has already used these values in its recent rulemaking *Final Rule on Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards* and can easily adapt the methodology to create monetary estimates of the benefits of proposed legislation.

In a report released last fall, the Institute Policy Integrity used social cost of carbon estimates (including interim values from the taskforce process), along with EPA analysis of the bill, to provide an informal analysis of the benefits of H.R. 2454, finding that benefits were likely to far exceed costs.⁶ EPA has the capacity to provide much more detailed analysis of the benefits of proposals in the Senate, augmenting the social cost of carbon estimates with discussion (and monetization) of ancillary benefits, as well as discussion of unquantified and qualitative benefits of the legislation such as reduction in exposure to risk, including catastrophic risks.

More than ever, legislators will need a clear and comprehensive summary of all the consequences of climate change legislation to guide their decisions over the next few months. EPA should use its extensive expertise on climate change to provide Congress with as clear a picture of the impacts of proposed legislation as possible.

Sincerely,



Michael A. Livermore
Executive Director

³ See, e.g., Dallas Burtraw et al., *Ancillary Benefits of Reduced Air Pollution in the United States from Moderate Greenhouse Gas Mitigation Policies in the Electricity Sector* (Resources for the Future Discussion Paper No. 01-61, 2001).

⁴ Interagency Working Group on Social Cost of Carbon, U.S. Government, with participation by Council of Economic Advisers, Council on Environmental Quality, Department of Agriculture, Department of Commerce, Department of Energy, Department of Transportation, Environmental Protection Agency, National Economic Council, Office of Energy and Climate Change, Office of Management and Budget, Office of Science and Technology Policy, and Department of Treasury, *Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866*, (Feb. 2010) (Docket ID NHTSA-2009-0059-0341).

⁵ For a more detailed discussion of the social cost of carbon and some of the important issues it raises, as well as concerns about some of the details in how the interagency report derived social cost of carbon values, see Comment submitted by Nathaniel O. Keohane, Environmental Defense Fund (EDF) and Michael A. Livermore, Institute for Policy Integrity, New York University School of Law et al. *Regarding Proposed Rulemaking to Establish Light-Duty Vehicle Greenhouse Gas Emissions Standards and Corporate Average Fuel Economy Standards* (Nov. 27, 2009) (Docket ID EPA-HQ-OAR-2009-0472-7246).

⁶ J. Scott Holladay & Jason A Schwartz, *The Other Side of the Coin: The Economic Benefits of Climate Legislation* (IPI Policy Brief No. 4, Sept. 2009).