

February 28, 2011

The Honorable Austan Goolsbee
Chairman, Council of Economic Advisors

The Honorable Cass R. Sunstein
Administrator, Office of Information and Regulatory Affairs

The Honorable John Holdren
Director, Office of Science and Technology Policy

The Honorable Nancy Sutley
Chair, Council of Environmental Quality

The Honorable Gene B. Sperling
Director of the National Economic Council and
Assistant to the President for Economic Policy

The Honorable Carol Browner
Director, White House Office of Energy and Climate Change

Dear Senior U.S. Government Officials:

As scientists, economists, and lawyers who closely follow the Administration's interagency process for estimating the Social Cost of Carbon (SCC), we urge you to ensure that the Administration stays on pace to fulfill the commitment it stated in the February 2010 SCC report to act no later than February 2012 to update the SCC to reflect improving science and economic understanding of climate change and its impacts on society:

..Specifically, we have set a preliminary goal of revisiting the SCC values within two years or at such time as substantially updated models become available, and to continue to support research in this area. (p. 3)

We appreciate the work that has been done thus far in estimating the SCC and the Administration's recognition of the need for improvements. The SCC report itself lays out some areas for improvement of the estimates, particularly Section V ("Limitations of the Analysis") and Section VI ("A Further Discussion of Catastrophic Impacts and Damage Functions"). We commend the Administration for laying the foundation by holding two workshops over the past three months (jointly sponsored by the Environmental Protection Agency and Department of Energy) that addressed a wide range of modeling issues relevant to improving SCC estimates.

Presentations and discussion at these workshops, which many of us participated in, and recent additions to the academic literature, strongly indicate that the SCC estimates can and should be improved. For instance, at least one of three models used in the original SCC report has been revised and updated to reflect the latest science. The workshops and literature illustrate that economists hold a broad range of opinions on key technical aspects of estimating the SCC, as well as on a variety of normative assumptions that drive the models (e.g., discount rates, equity weights, and treatment of risk). At the workshops, we were struck by the substantial communication and comprehension gap between some economic modelers and the climate scientists in attendance, many of whom argued that existing economic models do not adequately reflect current climate science, especially with regard to tipping points, cascading impacts, and agricultural and public health impacts. Some participants also pointed out that current SCC estimates appear inconsistent with the Administration's goal of limiting warming to 2° C.

We believe a principal lesson from the workshops is that, as the Administration moves to update its SCC estimates, the process must be truly interdisciplinary. As stated in the SCC report:

[A]ny effort to quantify and monetize the harms associated with climate change will raise serious questions of science, economics, and ethics... (p. 2).



The initial interagency workgroup was mostly staffed with economists. We recommend that you consider staffing the next workgroup with experts from a range of backgrounds, including more diverse social scientists, climate scientists, and public policy analysts, and having the workgroup interact with a group of outside experts (e.g., with the assistance of the National Research Council).

We understand that the SCC has a limited role and is formally used only for regulatory impact analysis under EO 12866. Nevertheless, the methodologies and assumptions used, along with final numeric estimates, also communicate to the public important information about the benefits of greenhouse gas reductions, and to the world at large how the Administration frames the climate change issue and the values it brings to decision-making. These are additional reasons we urge a thoughtful and timely updating of the SCC estimates by early 2012. We would be happy to engage with you and other Administration officials on these issues in greater detail as appropriate.

Sincerely,

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Laurie T. Johnson, Ph.D.,
Chief Economist, Climate Center
Natural Resources Defense Council

cc: The Honorable Thomas Vilsack, Secretary, Department of Agriculture
The Honorable Gary Locke, Secretary, Department of Commerce
The Honorable Steven Chu, Secretary, Department of Energy
The Honorable Ray LaHood, Secretary, Department of Transportation
The Honorable Lisa Jackson, Administrator, Environmental Protection Agency
The Honorable Timothy Geithner, Secretary, United States Department of the Treasury