



## Examining the social cost of carbon

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On Friday, Aug. 9, the Federal Register posted an announcement calling for public comments on the use of the “social cost of carbon” in DOE rulemaking. The members of the House of Representatives have already presented their opinions on social cost of carbon by passing a bill just prior to recess prohibiting its use by the EPA without consent of Congress. It is unclear whether the Senate will take up the issue, although the prohibition would almost certainly face a presidential veto. But without good cause.

The social cost of carbon is a poor concept from the start. It is an ill-conceived, one-sided supposed measure of the damages associated with climate change resulting from human emissions of carbon-containing greenhouse gases (such as carbon dioxide and methane). Or, rather, it is a measure of the damages predicted to occur by a collection of computer models—computer models which themselves largely fail at capturing the climate evolution during recent decades.

Under normal circumstances, little attention would be paid to the esoteric squabbling of economists arguing about how to place a largely theoretical value on a measure which is imprecise and ever-changing by its very nature. However, the social cost of carbon has been elevated to the limelight by the Obama administration which has introduced it into the cost-benefit analysis that must be performed for new rules and regulations.

The social cost of carbon—or its converse, the alleged benefits conferred by reducing carbon dioxide emissions—has become one of the administration's favorite tools for counteracting the high costs associated with an ever-growing string of actual and proposed new rules governing everything from microwave oven efficiency to coal-killing power plant emissions standards.

The administration is so empowered by the social cost of carbon, that, realizing still untapped potential, it recently upped its initial estimates of the social cost of carbon by about 50 percent. By assigning a central damage estimate (cost) of \$35 for each ton of emitted carbon dioxide rather than \$21 per ton, more and costlier regulations can be neutralized by the purported benefits of greenhouse gas reductions.

But in its haste to find a way to regulate greenhouse gas emissions, the administration has turned its back on both standing federal guidelines as well as sound science.

For example, the administration dismisses federal guidelines which require an analysis of the cost of regulations from a domestic perspective. Rather than focusing only on costs expected to occur in the U.S., the administration determines the social cost of carbon from a consideration of perceived global impacts. Since the U.S. is much better positioned to respond to and adapt to

climate changes than many other countries, the domestic costs are only a fraction of the total global costs. So what the administration is essentially doing is claiming ill-defined foreign benefits to justify the costs of U.S. regulations.

More egregiously, the administration turns its back on science. There is growing realization among climate scientists that the projections of climate change resulting from human greenhouse gas emissions have been overestimated. This realization stems from evidence published in the peer-reviewed scientific literature over the course of the past several years suggesting that the warming potential from greenhouse gas emissions is 40 percent lower than that which is currently encapsulated in climate models. Even while admitting that the climate sensitivity to greenhouse gas emissions is a key parameter in its calculations, the administration ignores these new findings and instead increased its estimate of the social cost of carbon in the face of the best science which demands that they should have decreased it.

The social cost of carbon is a concept which is easily gamed to fit the desires of the user—a characteristic emphasized in a recent paper by M.I.T. economist Robert Pindyck where he wrote that the models used to determine the SCC “suggests a level of knowledge and precision that is nonexistent, and allows the modeler to obtain almost any desired result because key inputs can be chosen arbitrarily.”

In this case, the user, the Obama administration, desires to limit greenhouse gas emissions in an attempt to mitigate climate change (an endeavor in which it will ultimately fail as the future course of climate change lies not with the U.S., but with the large, developing nations of the world). Unsurprisingly, the social cost of carbon was determined to be high and has gotten even higher just in time for the new round of regulations and executive actions making up the president’s recently announced Climate Action Plan.

Unbeknownst to most of us, the social cost of carbon is playing an increasing role in our personal lives as our government uses it to justify making things more expensive—from cars to electricity. To do so, it lays science and best practices by the wayside.

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