



Industry Urges OMB To Reconsider Carbon 'Cost' Data Quality Challenge

By Chris Knight
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Industry groups are urging the White House Office of Management & Budget (OMB) to reconsider its decision rejecting their Data Quality Act (DQA) challenge to the Obama administration's upwardly revised "social cost of carbon" (SCC) values, saying OMB's denial failed to comply with its own DQA response guidelines.

In a Feb. 24 request filed with OMB, several major industry groups say they found the White House's response to their DQA challenge over the estimates to be "entirely unsatisfactory," insufficient under the data law, "and inconsistent with all OMB and administration-wide standards and policies for information quality." Their new request urges the White House to reconsider their challenge, which claims the SCC values fall short of DQA requirements. Relevant documents are available on InsideEPA.com. (Doc. ID: 2462436)

The revised push comes as environmentalists, industry and other groups filed comments in time for OMB's Feb. 26 deadline for input on the process behind the upward revision to the carbon cost estimates.

OMB developed the estimates so that federal agencies could account for the costs and benefits of regulations that directly or indirectly cut greenhouse gas emissions. The revised estimates say a ton of carbon dioxide released into the atmosphere would be projected to impose between \$11 and \$97 in costs to the United States related to sea level rise, changing weather patterns, droughts, heat waves and agricultural losses, among other climate change effects.

The values, first released in 2010 but then quietly revised in a Department of Energy microwave oven efficiency rule, are widely expected to help support the justification for many of the administration's major climate regulations, including EPA's pending rule setting first-time carbon emissions standards for existing utilities. But options for challenging the merits of the values are likely limited to lawsuits over future rules that use the estimates.

Republican and industry critics have faulted the administration for what they say was a lack of transparency to the SCC revisions, which the administration began to use without the opportunity for public comment on the revisions themselves. Following continued criticisms, OMB agreed

late last year to take comment for 60 days on the update.

Separately, the American Petroleum Institute, the National Association of Manufacturers, the U.S. Chamber of Commerce and other industry trade groups filed their initial DQA challenge to the SCC values.

The law requires agencies to implement and abide by guidelines on the "quality, objectivity, utility, and integrity of information" used for decisions, and allows groups to challenge agency data. OMB responded to the petition in a Jan. 24 letter, a decision that the industry coalition is now asking the administration to reconsider.

The original DQA petition faulted the development of the SCC as not sufficiently transparent, the use of certain models, the accuracy of the values and not disclosing "key uncertainties." The industry groups said the SCC values should not be used in any policy making until changes were made to address their concerns.

The coalition also faulted OMB for using models that estimate the global costs of carbon to develop U.S.-specific SCC values, which it said limits the utility of the values. When OMB was developing the SCC, it found that the United States would face between 7 percent and 23 percent of the global costs of carbon, which it then used to derive the values.

But Howard Shelanski, Administrator of OMB's Office of Information and Regulatory Affairs, in the Jan. 24 reply to the industry request for corrections, rejected those calls to withdraw the SCC, saying it provides "valuable and critical insight" for regulators and others making policy decisions.

Defending the SCC estimates, Shelanski said they were transparently developed and that OMB had thoroughly described why certain models were used. He also refuted the industry coalition's criticisms that there was a threshold of uncertainty in the estimates such that they were "flawed and unusable." Shelanski said it was not clear the SCC was "near such a threshold" and that they had used the best available science to develop the estimates.

In the Feb. 24 request for reconsideration, the industry coalition argues that Shelanski's response to their earlier correction petition did not comply with OMB guidelines on information quality, as they say the response should have provided a much more thorough and substantive reply to their criticisms about the SCC.

For example, in their concerns about the transparency of the SCC development, they say Shelanski's reply provided "no new information" on the interagency working group (IWG) that helped develop the estimates, or the process through which the group made assumptions and chose model inputs to craft the SCC, despite what they say is a mandate under OMB information quality guidelines to be transparent.

"Simply noting the name of the agencies and entities with which the IWG members are affiliated does not constitute a 'high degree of transparency' because it provides the public no information about members' expertise or potential biases and, therefore, no capability to assess for itself the

objectivity of the sources," says the industry request.

Sen. David Vitter (R-LA) in a Feb. 26 press release also faulted OMB over not disclosing exactly who was involved in the IWG, as he said was "completely anonymous" aside from the known participation of one EPA official.

The industry DQA request also faults OMB for developing the SCC values effectively behind closed doors, without letting the public provide comment or weigh in on the charge questions used to develop the values, when agencies such as the EPA have a difficult time trying to estimate the economy-wide costs of a single regulation, much less the costs of climate change on the U.S. economy decades in the future.

Conservative think tanks are also launching renewed attacks against the SCC, with officials at a Feb. 26 event on Capitol Hill suggesting that, based on changes they made to the government's analysis of SCC, they found that CO₂ emissions would have much lower societal costs and might end up providing net societal benefits by increasing plant growth and other changes. The majority of climate scientists dispute that assertion.

Patrick Michaels, who is the director of the Center for the Study of Science at the libertarian Cato Institute, faulted the SCC over what he says were inaccuracies, "flawed" assumptions and uncertainties, and in an interview with Inside EPA, he predicted Democrats would pay a political price for their support of Obama's climate change policies, and in essence the SCC.

He does not expect the Obama administration will make changes to the SCC based on their criticisms. "The Obama administration will be most receptive to these arguments at the ballot box," Michaels said. "If history is any guide, they will pay."

Heritage Foundation research fellow David Kreutzer meanwhile said OMB should have used in the SCC values a much higher discount rate of 7 percent, rather than the 2.5 percent, 3 percent and 5 percent discount rates they used, and also incorporated a climate study he says shows lower climate sensitivity. The discount rate accounts for the value of money in the present day, in which a higher discount rate favors spending less money now to prevent damages from climate change in the future.

"I'm not fooling myself that someone from Heritage is going to convince the Obama administration to do anything, but I think it's incumbent to point out when something is really wrong," he said.

Environmentalists, meanwhile, are backing the values in the SCC in Feb. 26 public comments filed on the values, while also encouraging the government to continue updating the values to account for the latest science and data on the costs from climate change.

Gernot Wagner, a senior economist for the Environmental Defense Fund, on a Feb. 26 press call defended OMB's decision not to include a 7 percent discount rate, which he said "no one believes" should be used for the long-term risks of climate change, and said that even a 3 percent discount rate was likely too high "given how long-term this issue is." Wagner said there is

growing consensus from economists that they should use a declining discount rate.

Advocates also faulted the Heritage Foundation's SCC estimates for using overly optimistic assumptions about economic growth. Laurie Johnson, an economist at the Natural Resources Defense Council, said the Heritage model assumed "fabulous growth" and no impact on productivity from climate change, which she said was "just not tenable" based on the most recent climate science.