How Much Will Climate Change Rules Benefit Americans?

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When considering domestic action to reduce the impacts of climate change, should U.S. agencies estimate and report the benefits to U.S. citizens or to the world? In a letter to the National Academy of Sciences, we argue they should do both. In the context of international negotiations, such as the recent Paris accord, a global focus is clearly relevant. But, when evaluating regulations that will impose large costs on U.S. citizens, it is incumbent upon the federal government to estimate and report domestic benefits as well.

Yet, the government has adopted a lopsided practice of generally considering and reporting
only an estimate of world-wide benefits, putting U.S. regulatory agencies at risk of adopting policies that impose costs on Americans on the peculiar grounds that they benefit others. To make matters worse, the unilateral policies justified by this approach may do very little to reduce world-wide greenhouse gas emissions.

**Background**
To measure the benefits of climate change regulations, a federal interagency group has developed a “social cost of carbon” (SCC). The SCC is an estimate, in dollars, of the long-term damage caused by a one-ton increase in global carbon emissions in a given year. Federal agencies use the SCC to estimate the social value of reduced climate damages from regulations that reduce greenhouse gas (GHG) emissions. While the SCC simplifies a dauntingly complex reality, it is a useful simplification because having agreement on an SCC is necessary for cost-effective control of emissions.

**Should global benefits be used to justify domestic costs?**
The problem is that the agencies based the value for this SCC on the estimated global benefits—both foreign and domestic—of reduced GHG emissions. Use of a global SCC as the sole summary measure of the value of reducing GHG emissions through federal rulemaking lacks transparency and leaves such actions at odds with the expressed intent of authorizing statutes passed by Congress and long-standing federal regulatory policy. When enacting the Clean Air Act, for example, Congress stated its purpose was to “protect and enhance the quality of the Nation’s air resources so as to promote the public health and welfare and the productive capacity of its population.” (emphasis added)

For decades, presidents have directed administrative agencies to issue a new regulation only upon a “reasoned determination” that its benefits “justify” its costs. President Obama has reinforced this commonsense principle for rulemaking. Yet, federal agencies—operating under laws directing them to protect national interests—are now issuing regulations with significant costs to U.S. residents and citizens based on a finding that
benefits, including substantial benefits to foreigners, “justify” those costs.

The difference between global and domestic benefits can be significant. The estimated global SCC is 4 to 14 times greater than the estimated domestic SCC, a ratio rarely mentioned in specific rules. As a result, use of a global SCC to estimate benefits means that agencies will adopt regulations that could cost Americans much more than they receive in climate-related benefits. This approach is particularly problematic because many U.S. actions to reduce domestic GHG emissions may simply shift manufacturing operations and other economic activity overseas. To the extent that GHG emissions are a global problem, shifting operations and emissions to countries with less rigorous pollution control would offset some or all of the climate benefits of regulations that reduce U.S. emissions.

**Americans deserve transparency**

Americans deserve to know how federal regulations may affect them. By using the global SCC, U.S. government agencies are claiming their rules—which impose substantial domestic costs—provide benefits that in fact largely accrue to foreign citizens, not Americans. Of course many Americans are altruistic and care about the welfare of people beyond our borders. But significant foreign aid decisions should be made openly, not hidden in an obscure metric used in rulemaking.

A better approach would be to estimate and report the expected foreign benefits separately and transparently. The federal government has a duty to provide information about the reductions in domestic climate damages that may result from federal regulation. The current approach of reporting only the global benefits without providing estimates of the domestic benefits neglects that duty.

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