

# United States Senate

WASHINGTON, DC 20510

December 05, 2017

The Honorable Gene L. Dodaro  
Comptroller General of the United States  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Dodaro:

We write to ask the GAO analyze the social cost of carbon. Various statutes, executive orders, and guidance from the Office of Management and Budget (OMB) direct federal agencies to analyze the benefits and costs of proposed regulations. These regulatory impact analyses can also provide affected entities, agencies, Congress, and the public with important information about the potential effects of new regulations.

In 2008, a federal appeals court held that the National Highway Transportation Safety Administration violated the Energy Policy and Conservation Act by failing to include in its cost-benefit analysis of fuel economy standards for light trucks the benefits of carbon emission reduction. The court noted that monetized estimates existed of the social cost of carbon (SCC)—the dollar value of the net damages of an increase in emissions of carbon dioxide, a greenhouse gas. In 2009, in part because agencies used varying SCC estimates, the White House convened an interagency working group to develop SCC estimates for government use, and it issued final estimates in a 2010 guidance document. Since then, the working group has issued revised estimates on several occasions and also developed estimates for damages from an increase in emissions of methane and nitrous oxide, which are also greenhouse gases. Federal courts have upheld agencies' use of these SCC estimates. In addition, the National Academies has recommended improvements to the working group's process, including by updating SCC estimates roughly every five years to remain consistent with the current state of scientific knowledge.

The Government Accountability Office (GAO) reported in 2014 that, in developing the original estimates, the working group used consensus-based decision making, relied largely on existing academic literature and models, and took steps to disclose limitations and incorporate new information.<sup>1</sup> In 2014, GAO also issued a report on environmental regulations and recommended that OMB should consider clarifying the relationship between the working group's guidance document and OMB Circular A-4, which provides direction to federal agencies for systematic evaluation of benefits and costs.<sup>2</sup>

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<sup>1</sup>GAO, *Regulatory Impact Analysis: Development of Social Cost of Carbon Estimates*, GAO-14-663 (Washington, D.C.: July. 24, 2014).

<sup>2</sup>GAO, *Environmental Regulation: EPA Should Improve Adherence to Guidance for Selected Elements of Regulatory Impact Analyses*, GAO-14-519 (Washington, D.C.: July. 18, 2014).

In March 2017, Executive Order 13783 disbanded the working group and withdrew SCC guidance documents as no longer representative of governmental policy. The order directs agencies to be consistent with OMB Circular A-4 when monetizing the value of changes in greenhouse gas emissions resulting from regulations. As a result, the Environmental Protection Agency's draft regulatory impact analysis for its proposed rule that would repeal the Clean Power Plan includes revised values reducing the SCC from approximately \$45 per ton to as low as \$1 per ton for 2020 (both figures in 2011 dollars).

We request that GAO build on its past work on this topic. In particular, we would like GAO to answer the following questions:

1. To what extent have individual states developed and/or used estimates for the SCC; what have been the differences, if any, in these estimates and uses?
2. To what extent have other countries developed and/or used estimates for the SCC; what have been the differences, if any, in these estimates and uses?
3. To what extent have estimates been developed and/or used for the social cost of other greenhouse gases, such as methane and nitrous oxide?
4. What justification did the Trump administration use to support its change from a default discount rate of 3% for climate -focused regulations to 7%?
5. What rationales have been advanced to support the use of various discount rates in assessing the social cost of carbon? To the extent that discount rates are based on evolving factors like interest rates and economic growth rates, should they be periodically reevaluated?

Please contact Aaron Goldner (Senator Whitehouse) at (202) 224-2921 to discuss in detail the specific scope of work and timelines for completing this request.

Thank you in advance for your consideration.

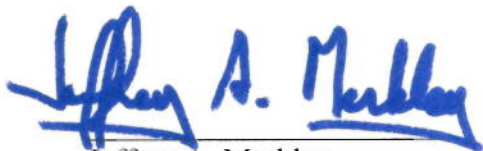
Sincerely,



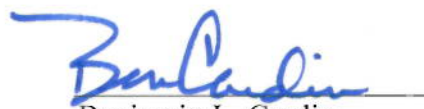
Sheldon Whitehouse  
United States Senator



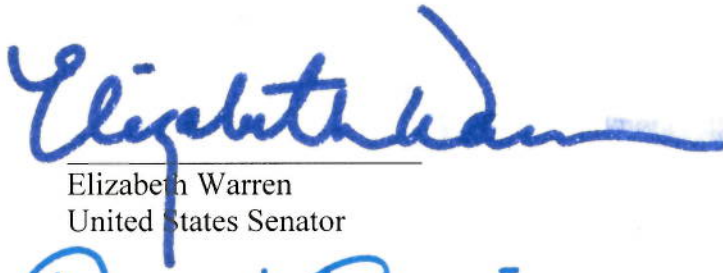
Michael F. Bennet  
United States Senator



Jeffrey A. Merkley  
United States Senator



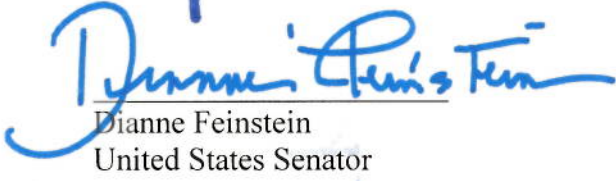
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