

ROY GAMSE TESTIMONY
AT THE PUBLIC TELECONFERENCE
OF THE ECONOMIC GUIDELINES REVIEW PANEL
APRIL 23, 2020

I am Roy Gamse. I was responsible for EPA's economic analysis in the Nixon, Ford, Carter, and Reagan Administrations.

Most of you are familiar with co-benefits (or ancillary benefits) that accrue from regulation of one environmental contaminant that results in control of another. You shouldn't ignore them anymore than you should ignore the indirect costs.

It's well established that ancillary benefits and countervailing risks should be identified in any Economic Analysis. OMB's 2003 Circular A-4 tells agencies to "*...look beyond direct benefits and costs...*" and "*...consider any important ancillary benefits and countervailing risks.*"

EPA required assessing co-benefits before the OMB requirement. Since 2000, EPA's guidelines explicitly required including co-benefits and ancillary costs. The currently effective 2010 Guidelines specify an economic analysis of regulations should include both "*...directly intended effects... as well as ancillary (or co-) benefits and costs.*"

However, EPA has recently made policy decisions to ignore co-benefits when regulating, even though their assessment is required by OMB's and by EPA's own current Guidelines. Examples are:

- The recent decision on the Mercury & Air Toxics rule, in which EPA reversed the decision to consider the co-benefits of reducing fine particulates.
- The dramatic retrenchment of the Obama Clean Power plan, based in part on ignoring co-benefits of soot and smog while controlling CO₂.

So I wasn't surprised to find explicit mention of co-benefits had largely disappeared from the Guidelines. Instead I found discussion of tracking changes in emissions of another pollutant as a result of controlling a regulated pollutant buried in Chapters 5 and 7.

Then I figured out where co-benefits went. Footnote 129 at the bottom of pages 5-18 says *"benefits from changes in environmental contaminants other than those related to the statutory objective have sometimes been called 'co-benefits' ... or 'co-pollutants'."* It says such terms should be avoided because they are imprecise and have been used inconsistently. It urges that the term *"ancillary benefits"* should be used cautiously because it may be interpreted as having *"unintended"* meaning.

So instead of explicitly requiring assessments of co-benefits and ancillary costs and risks, as OMB and EPA have done for about two decades, EPA has changed its terminology and buried the references in a mountain of text and footnotes in a 430-page document.

For an Agency inclined in its regulatory decisions to ignore co-benefits as if they don't exist or don't contribute to social welfare, this doesn't seem incidental.

Finally, pages 5-19 say: *"it may be useful to determine whether there are more economically efficient or appropriate ways of obtaining these unrelated benefits."* I believe it's not whether there could be a more efficient way, but rather whether there will be a more efficient alternative to attain the same combined benefits.

My request of you is that you recommend strongly to EPA that including co-benefits or ancillary benefits in cost-benefit assessments

be specifically and prominently required in these Guidelines (not buried in the details).

Further, I recommend you condition reliance on an alternative regulatory option that is a “more economically efficient or appropriate” means of obtaining the co-benefits on the actual development of a concrete option to obtain them, not simply the existence of a study.

Finally, my wish is that you push EPA to take all benefits into account where allowed by law rather than assessing co-benefits and ignoring them in action, as seems to be current policy.