

ROY GAMSE TESTIMONY
AT THE PUBLIC TELECONFERENCE
OF THE SAB ECONOMIC GUIDELINES REVIEW PANEL
JUNE 9, 2020

I'm Roy Gamse. I was EPA's Director of Economic Analysis and Deputy Assistant Administrator in the Nixon, Ford, Carter, and Reagan Administrations. I was responsible for EPA's economic analysis of proposed regulations.

I spoke to you at your April 23 meeting about co-benefits and the fact that the draft EPA guidelines changed terminology in a buried footnote and obfuscated them. I applaud the panel for addressing co-benefits in Sections 2.5, 2.7, and 2.11 of your draft. Your comments are apt, but I urge you to be more explicit.

For context, recent actions demonstrate that today's EPA is hostile to the consideration of co-benefits. As you recognize, co-benefits should be fully assessed in EPA's regulatory analyses. Further, they deserve full consideration in EPA's regulatory actions to the extent allowed by law. In fact, EPA has been analyzing co-benefits as a basis for regulation for at least 25 years. This is not a new invention of the Obama Administration. In 1985 the Reagan Administration explicitly considered co-benefits in the form of ozone reductions in its rules on lead phasedown. EPA has considered co-benefits in many analyses since then, such as particulate reductions in its rules on tailpipe emissions from heavy-duty trucks. Co-benefits analysis has been required by OMB since OIRA issued Circular A-4 in 2003.

But this Administration has abruptly reversed that practice. The regulation of mercury and other toxic pollutants from power plants (the MATS rule) is the most notable example, where co-benefits have been explicitly analyzed and explicitly disregarded. Another example is the transformation of the Clean Power Plan to the so-called Affordable Clean Energy Rule. The submerging of co-benefits in these draft EPA economic guidelines is a clear signal.

The current EPA leadership may be willing to assess co-benefits, but they have shown clearly, even in these draft guidelines, that they will downplay the information gleaned and they do not intend to use that information as a basis for regulation.

I realize that you cannot force the Administrator's hand on regulatory matters, but I urge you to be more explicit than you have been in guiding EPA to do the right thing.

I applaud your strong support for comprehensive assessment and reporting of all costs and benefits in Chapters 5, 7, and 11. However, where in 2.7.4 at the bottom of page 44 you criticize EPA's deleting a clarifying sentence from its most recent 2014 guidelines, I urge you to insist that EPA add back the expunged sentence: "These should include directly intended effects and associated costs, as well as ancillary (or co-) benefits and costs."

Similarly, I applaud your suggestion in 2.7.4 at the top of page 45 that EPA could consider alternatives analysis of regulatory approaches that target so-called co-benefits in tandem with alternatives analysis of regulatory approaches for the so-called targeted pollutant. But I urge you to insist that the alternative regulatory approaches to be considered be practical, implementable approaches that really can and will be implemented in conjunction with regulation of the so-called targeted pollutant.

My fear, frankly, is that the current EPA would show a theoretical straw man for attaining the co-benefits that will never be adopted and use that as a justification for not taking action that would control both pollutants, despite significant net benefits to the public. The result would be no action, leaving the public worse off than if regulation yielding combined reduction of both pollutants were adopted.

As a glaring example, EPA dismissed the relevance of large co-benefits of reducing fine particles when regulating mercury and gutting the Clean Power Plan, then ignored the research showing huge benefits of reducing fine particles when deciding not to tighten the particulate matter standard!

Frankly, it does little good for your panel to prescribe excellent economic analysis guidelines that allow EPA to check the box if EPA then proceeds to ignore the co-benefits in taking action. That would repeat the story of the MATS rule all over again. It would make this exercise a waste of your time.

I hope that you will urge EPA to adopt guidelines consistent with the best economic theory and then to actually use the resulting analyses as the basis for regulations to the extent allowed by the governing statutes.

Thank you for doing this important work.