United States Senate
WASHINGTON, DC 20510

June 18, 2013

The Honorable Robert Perciasepe
Acting Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

The Honorable Gina McCarthy
Assistant Administrator
Office of Air and Radiation
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

The Honorable Ernest Moniz
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

The Honorable Sylvia Mathews Burwell
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Mr. Perciasepe, Ms. McCarthy, Mr. Moniz and Ms. Burwell:

We note with concern the recent update of the Administration's estimate for the Social Cost of Carbon (SCC).[1] As you are aware, the SCC estimate is crucial to the Administration's climate change agenda because the higher the number, the more benefits can be attributed to costly environmental regulations and standards. Your Agencies will make, review, or defend

[1] Interagency Working Group on Social Cost of Carbon, *Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis under Executive Order 12866*, U.S. GOV'T (May 2013), http://www.whitehouse.gov/sites/default/files/omb/inforeg/social_cost_of_carbon_for_ria_2013_update.pdf

claims about the benefits of certain environmental regulations, in whole or in part, on the basis of the Federal government's assessment of the cost of carbon.[2]

We are troubled by reports on the updated estimate, especially the continued use of lower discount rates that appear to diverge from the Office of Management and Budget's (OMB) own existing guidance and the apparent lack of stakeholder involvement in the effort.[3] While the discount rates remain unchanged from 2010, the fact remains that the new SCC for 2013 increased from $22 to $36 per ton of carbon dioxide emitted (a more than 60 percent increase). This is a significant change to an already highly controversial estimate, and as such requires transparency, open debate, and an adherence to well-understood and previously agreed-upon rules.

In addition to real and ongoing concerns about the lack of openness and transparency throughout this Administration, we are troubled by any characterization of the reworked interagency estimate as relatively minor. Depending on the discount rate chosen, the increase in the cost of carbon ranges from 34 percent to 120 percent. The driving factor in these vastly different estimates is the discount rate. For example, the cost of carbon is $11 per ton when using a 5 percent discount rate, but it skyrockets to $52 using a 2.5 percent discount rate. With such a dramatic increase in the mere three years since setting the initial SCC, the interagency working group points to changes in the models used that predict more impacts from climate change. Despite years of questions being raised about the data and modeling underlying the claims of catastrophic global warming, to the best of our knowledge, there is no evidence of any circumstances in which the economic valuation of carbon decreased.

In an effort to understand the Administration's process for determining its most recent SCC estimate, and in hopes of initiating an ongoing conversation about this issue, we request prompt responses to the following questions:

1. What stakeholders were included in the process that led to the reworking of the estimate?

2. What documents guided the process? Were these documents peer-reviewed? Given the importance of the estimate, did you consider releasing it for public comment? To what extent did OMB employ its own peer-review guidelines?

3. As an interagency working group participant, how did EPA comply with the December 2012 addendum to Guidance for Evaluating and Documenting the Quality of Existing Scientific and Technical Information? Did EPA develop its own science/data for the underlying scientific support for determining the adjustment in the SCC?

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[2] *New Energy Efficiency Standards for Microwave Ovens to Save Consumers on Energy Bills,* DEP'T OF ENERGY, (May 31, 2013), http://energy.gov/articles/new-energy-efficiency-standards-microwave-ovens-save-consumers-energy-bills (*citing* Energy Conservation Program: Energy Conservation Standards for Standby Mode and Off Mode for Microwave Ovens, http://www1.eere.energy.gov/buildings/appliance_standards/pdfs/mwo_final_rule.pdf).

[3] OFFICE OF MGMT. & BUDGET, CIRCULAR A-4: REGULATORY ANALYSIS 34 (2003), *available at* http://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a004/a-4.pdf (For regulatory analysis, provide estimates of net benefits using both 3 percent and 7 percent).

4. Did any non-federal government personnel participate in any of the interagency discussions or provide any input to the process?

5. How and why were the discount rates chosen? To what extent do they diverge from existing OMB guidance on appropriate discount rates? Why did you decide against including a 7 percent discount rate valuation as required under OMB Circular A-4? In assessing benefits of Agency actions since 2008, how frequently has the OMB guidance not been followed?

6. Do you have some sense of what the cost of carbon would be at a 7 percent discount rate? Can you share that?

7. Is OMB planning to provide guidance to the Agencies on how and when the SCC estimate should be applied? In what circumstances should the SCC estimate be applied in counting benefits?

8. To what extent did the process and its participants consider and incorporate the concept of carbon leakage? Going forward, will Agencies be instructed as to estimating United States' economic value lost due to production shifting overseas?

9. Why decide against including a United States' specific SCC along with concomitant valuations, as required by OMB Circular A-4?

10. Are there any benefits associated with carbon? In developing the SCC estimate, how did the interagency group account for benefits associated with activities that result in carbon dioxide emissions?

Thank you for your attention to the matter. We respectfully request your response by July 2, 2013.

Sincerely,

David Vitter
Ranking Member
Environment and Public Works

Roy Blunt
United States Senate

Jeff Sessions
United States Senate

John Barrasso
United States Senate

James Inhofe
United States Senate

Roger Wicker
United States Senate

John Boozman
United States Senate

cc: Alan B. Krueger, Chairman, Council of Economic Advisers
Nancy Sutley, Chair, Council on Environmental Quality
Tom Vilsack, Secretary, Department of Agriculture
Cameron F. Kerry, Acting Secretary, Department of Commerce
Ray Lahood, Secretary, Department of Transportation
Gene B. Sperling, Director, National Economic Council
Dr. John Holdren, Director, Office of Science & Technology Policy
Jacob J. Lew, Secretary, Department of Treasury