

Conversation Contents

Fwd: (FOIA response 1 of 6) Fwd: need for guidance on considering the social costs of climate change

"Bobo Jr, Anthony" <a1bobo@blm.gov>

From: "Bobo Jr, Anthony" <a1bobo@blm.gov>
Sent: Fri Aug 18 2017 16:51:18 GMT-0600 (MDT)
To: Thomas Bartholomew <tbarthol@blm.gov>
Subject: Fwd: (FOIA response 1 of 6) Fwd: need for guidance on considering the social costs of climate change

Anthony D. Bobo, Jr.

Branch Chief Decision Support | Division of Decision Support, Planning and NEPA | Bureau of Land Management
20 M Street SE | Cubicle 5210 | Washington, DC 20003
O: (202) 912-7211 Cell: (202) 422-2087

----- Forwarded message -----

From: Moore, Rebecca <rmoores@blm.gov>
Date: Thu, Aug 17, 2017 at 4:17 PM
Subject: (FOIA response 1 of 6) Fwd: need for guidance on considering the social costs of climate change
To: Anthony Bobo <a1bobo@blm.gov>

----- Forwarded message -----

From: Winthrop, Robert <rwinthro@blm.gov>
Date: Fri, Apr 14, 2017 at 11:16 AM
Subject: Fwd: need for guidance on considering the social costs of climate change
To: "Moore, Rebecca" <rmoores@blm.gov>, Anthony Bobo <a1bobo@blm.gov>
Cc: Leah Baker <lbaker@blm.gov>

Anthony & Rebecca--

I had a brief discussion of this email with Leah, on her last day before maternity leave. She's like us to schedule a briefing with Steve T to discuss these issues and determine next steps. I'll put together a briefing request next week.

Rob

----- Forwarded message -----

From: Winthrop, Robert <rwinthro@blm.gov>
Date: Fri, Apr 14, 2017 at 12:59 PM
Subject: need for guidance on considering the social costs of climate change
To: Leah Baker <lbaker@blm.gov>
Cc: Anthony Bobo <a1bobo@blm.gov>, "Bernier, Heather" <hbernier@blm.gov>, Kit Muller <kmuller@blm.gov>, Louisa Evers <levers@blm.gov>, Bill Stevens <bpsteven@blm.gov>, "Dr. Robert Winthrop" <RWinthro@blm.gov>, Hilary Zarin <hzarin@blm.gov>, James C Tichenor <jtichenor@blm.gov>, Jennifer Schein Dobb <jscheindobb@blm.gov>, Jessica Montag

<jmontag@blm.gov>, Joshua B Sidon <jsidon@blm.gov>, Martin Hensley <mhensley@blm.gov>, Michael D Johnson <mdjohnso@blm.gov>, Mike Ford <mmford@blm.gov>, Rebecca Moore <rmoore@blm.gov>, Scott Rickard <srickard@blm.gov>, Stacey Fritz <SFritz@blm.gov>, Stewart Allen <sdallen@blm.gov>, "Suhr Pierce, Julie A" <jsuhrpierce@blm.gov>, Tessa Teems <tteems@blm.gov>, Tyson J Sackett <tsackett@blm.gov>

Leah --

Rebecca has clearly summarized the current situation we face regarding use of social cost of greenhouse gases (GHGs), after the President's Executive Order of March 28 on 'Promoting Energy Independence and Economic Growth.' (Note 1) Given the decisions in the EO, we need supplementary direction from the Department or the Office of Management and Budget on how to proceed in estimating the impacts of climate change. Here are some reasons.

The challenge of implementing the direction in section 5 of the Executive Order involves both scientific and policy considerations. To the extent feasible we should keep these issues distinct. While subsections 5(a) and (c) address the use of social costs in regulatory analyses, the logic is applicable to other uses such as land use planning.

Best available science. (b) (5)

Section (a) calls for agencies to "use estimates of costs and benefits in their regulatory analyses that are based on the best available science and economics." Section (b) disbands the Interagency Working Group on Social Cost of Greenhouse Gases (IWG) and withdraws its technical reports, which provided a range of estimates for the social cost of GHGs. Because of the IWG's formal standing, the range of expertise represented there, and the process by which the IWG did its work, (b) (5)

Varied estimates. Note that subsection 5(c) of the EO acknowledges that agencies may continue to use estimates of the social cost of GHGs, at least in preparing regulations (the text is silent on other uses of the estimates). Rebecca reasonably asks: if "a particular NEPA analysis would benefit from inclusion of monetary estimates of the SCC, can we use another source?" The current literature on the social cost of GHGs offers highly varied estimates. Particularly regarding the social cost of carbon dioxide, estimates in the published literature vary greatly, with many far higher than those presented by the IWG. (Note 2) Because we cannot now utilize the IWG's estimates, any choice of cost estimates we may make for regulatory, planning, or project-level decisions becomes more arbitrary and subject to legal challenge.

Discounting. Finally, subsection 5(c) also requires that in estimating the social cost of GHGs agencies seek consistency with OMB Circular A-4 on regulatory analysis (Note 3), which is particularly relevant to the use of discount rates in estimating the social costs of GHGs. Fundamentally, the choice of a discount rate in estimating the costs and benefits of an action is a choice of how much to value the needs of future generations compared to our own. The higher the discount rate, the more we are choosing to value costs and benefits today over those occurring the the future. In the types of potential impacts typically considered in benefit cost analysis -- occurring within one generation, with only marginal effects relative to society as a whole, and subject to a manageable level of uncertainty - - this makes sense. In such cases Circular A-4 recommends using discount rates of 3 and 7 percent. (Note 4) (In comparison, the IWG provided social cost estimates using discount rates of 2.5, 3, and 5 percent.) Yet the impacts of global climate change do not match any of the characteristics of 'typical' actions: impacts will occur over many generations, the effects are large and potentially catastrophic, and the level of uncertainty is high. In fact, Circular A-4 acknowledges that "special ethical considerations arise when comparing benefits and costs across generations." The circular cites literature on intergenerational discounting recommending rates of 1 to 3 percent, and recommends where intergenerational time spans are involved, "consider a further sensitivity analysis using a lower but positive discount rate in addition to calculating net benefits using discount rates of 3 and 7 percent." (Note 5)

Note 1. <https://www.whitehouse.gov/the-press-office/2017/03/28/presidential-executive-order-promoting-energy-independence-and-economi-1>

Note 2. J. C. J. M. van den Bergh and W. J. W. Botzen. 2014. "A lower bound to the social cost of CO2 emissions." *Nature Climate Change* 4:253-258. DOI: 10.1038/NCLIMATE2135.

Note 3. https://obamawhitehouse.archives.gov/omb/circulars_a004_a-4/#e

Note 4. OMB Circular A-4, Discounting, section 2.

Note 5. OMB Circular A-4, Discounting, section 4.

Rob Winthrop

Senior Social Scientist, Socioeconomics Program

Decision Support, Planning and NEPA (WO-210)

USDI - Bureau of Land Management

20 M Street SE (2134 LM), Washington, DC 20003

office 202-912-7287; cell 202-341-4837; rwinthro@blm.gov

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On Thu, Apr 13, 2017 at 3:54 PM, Rebecca Moore <rmoore@blm.gov> wrote:

Anthony,

E.O. 13783, Sec. 5. disbands the Interagency Working Group on the Social Cost of Greenhouse Gases (IWG) and withdraws the Technical Support Documents issued by that group. Those documents contain estimates of the social cost of carbon, and were previously the source we used when including SCC estimates in NEPA documents. It would be helpful to have further directions on how to implement this section of the EO. Some specific questions include:

1. There are other estimates of the SCC in the scientific literature. If it is determined that a particular NEPA analysis would benefit from inclusion of monetary estimates of the SCC, can we use another source?
2. Can we tier analyses to prior documents that may have used the IWG estimates?
3. How should we respond to public comments or protests that refer to the IWG or other estimates of the SCC?

Mike Ford (WO-300 economist) just looped me into a conversation they have been having with Mark Lawyer (Deputy Director, DOI) and Stu Levenbach (OMB) asking if OMB plans to issue guidance on this issue. Mike doesn't have a response yet, but I wanted to let you and Leah/Serena know that this conversation is happening. See email trail below.

For some additional background, attached is the recent briefing paper on BLM's use of SCC in NEPA. Clear policy direction will help ensure that we treat this issue consistently across the agency moving forward.

Thanks,
-Rebecca

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Rebecca Moore, PhD  
Senior Economist  
Bureau of Land Management (Decision Support, Planning, and NEPA, WO-210)

Phone: 970-226-9246; Cell: 202-641-5851; Email: [RMoore@blm.gov](mailto:RMoore@blm.gov)  
Mail: Fort Collins Science Center, 2150 Centre Ave., Bldg C., Fort Collins, CO 80526-8118