Testimony by Representative Evan Jenkins

House Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
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H.R. 3117, Transparency and Honesty in Energy Regulations Act of 2017

Thank you, Chairman Gosar, Ranking Member Lowenthal, and members of this subcommittee for the opportunity offer my testimony before you today.

I would like to commend the Chairmen and this Committee for its continued focus on this issue.

Mr. Chairman, the *Transparency and Honesty in Energy Regulations Act* would prohibit the use of social cost of greenhouse metrics in the federal rulemaking process unless the agencies adhere to OMB guidance.

I sponsored this bill because we lost more than 10,000 good-paying coal jobs in West Virginia over the last five years. Each of those jobs put food on the table and paid the bills for families throughout my district.

While there are multiple causes for the downturn, a lot of it had to do with the energy and environment regulations of the prior administration. West Virginia has seen the consequence of these destructive regulations: families suffering bankruptcies, counties struggling with lost revenue, and towns unable to provide basic services like police and firefighters.

These actions include the Clean Power Plan, which triggered the closure of hundreds of coal-fired power plants across the country. The Clean Power Plan was justified in large part by relying upon the *social cost of carbon*.

The social cost of carbon, is an attempt to assign a monetary value to the "potential gains" to society for a reduction in carbon dioxide emissions.

The metric was devised by relying on a complex – *and controversial* – set of Integrated Assessment Models that tried to estimate costs to society related to climate change and discern the value of reductions in emissions in present-day terms.

The largest of the multiple problems with the models is the many variables that can be easily tweaked depending on the result being sought.

MIT economist Robert Pindyck concluded in his 2013 analysis that all three models used by the Obama administration working group "have crucial flaws that make them close to useless as tools for policy analysis."

The prior administration then expanded the use of these metrics to methane and nitrous oxide.

The use of these metrics became so prolific under the last administration that they were used to justify regulations impacting nearly every part of modern day life. They were used to underpin regulations targeting vending machines, microwave ovens, ceiling fans, and more.

They were also used to reinforce misguided regulations like the Clean Power Plan and evaluate federal actions under NEPA. Unsurprisingly, the EPA and other relevant agencies disregarded long-standing OMB guidance when crafting these metrics.

The guidance prescribes the appropriate procedures for cost-benefit analysis, including the use of discount rates of 3 percent and 7 percent. Instead, they calculated the metrics using discount rates of 2.5 percent, 3 percent, and 3.5 percent. This was done deliberately – using a 7 percent discount rate would lead to far lower values for the social cost of carbon.

Additionally, when analyzing global costs and benefits, OMB directs the agencies to report them separately from the domestic costs and benefits. Instead, the EPA and other working group agencies conflated the global benefits of reduced carbon emissions with only the domestic costs, thus inflating the purported benefits of the social cost of carbon.

If the domestic benefits of these regulations are so significant, and are realized in both the near-term and long-term, following OMB guidance would be appropriate.

So, why did the prior administration not do so? The answer should be obvious.

I anticipate that you'll hear counterpoints today.

Some may say that climate science is complex and imprecise, but that the social cost of carbon offers a guide to help policymakers analyze regulatory costs versus benefits.

They may say that analyses are most useful when they include the full range of costs and benefits associated with particular policies. If we are to believe that, then there should be no reason for the agencies to circumvent OMB guidance for cost-benefit analysis.

The fact there are so many suggestions as to the appropriate discount rates begs the question as to how malleable the models are when used to justify regulations. Unfortunately, the metrics that agencies have relied upon are easily influenced and skewed. It emphasizes my point that the system used by the prior administration was rigged.

The social cost of carbon and its siblings, the social cost of methane and social cost of nitrous oxide, have become political tools. Exaggerating the benefits of regulations to sell them to the American public is disingenuous.

The nation is already making major strides to improve the environment and lower emissions. We can continue to do so without sacrificing economic growth. Access to affordable, reliable energy raises our standard of living for our communities across the board.

I look forward to working with the committee to move this bill forward, and I thank you for your support. Thank you, Mr. Chairman. I yield back.