



Environmental Notes - March 2021

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WILLIAMS MULLEN ENVIRONMENTAL NOTES

BIDEN CLIMATE WORK GROUP REVERTS TO OBAMA SOCIAL COSTS OF CARBON

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Arguably, the Social Cost of Carbon (SCC) is one of our society's most important numbers. The SCC is used in all climate decisions and will now be considered in all significant governmental decisions and federal actions. How this number will be recalculated is the subject of fierce debate. Politico recently noted that "A high cost of carbon would make it easier for the administration to justify expensive or restrictive regulations as it works to green the economy—spend this money now, because it will cost a lot more later if we don't. Set the price too high and the economy might not react well. It's classic cost-benefit stuff, but big."

The SCC was the foundation of the Obama Administration's Climate Strategy. These values were calculated to attribute global cost and benefits to each ton of CO₂ emissions. These costs and benefits drive efforts like the Clean Power Plan that sought to retire all existing coal-fired electric generating units or force installation of costly and potentially technically prohibitive retrofits like carbon capture and sequestration (CCS). The application of SCC is not limited to rulemaking. It can be applied to almost all government decisions and actions.

The calculation of SCC is not straightforward. In 2016, an Interagency Working Group (IWG) on the Social Cost of Greenhouse Gases (IWG) issued updated guidance incorporating technical analyses recommended by the National Academy of Sciences, Engineering and Medicine. The result of this additional analysis was the recommendation by the IWG that the SCC to be used in regulatory analyses should comprise a range of estimates of the long-term damage done by one ton of CO₂ emissions measured in dollars. The analysis also added cost impacts for methane and nitrous oxide, both of which are also GHGs. This update chose not to conduct a near-term update to the SCC, but instead opted to analyze the characteristics of uncertainty around the SCC impacts over decades and even centuries and incorporate these "enhancements."

The analyses of impacts from methane and nitrous oxide were conducted using the same methodology as the SCC but factored in the finding that a ton of methane has some 25 times the warming potential as a ton of CO₂ and nitrous oxide 300 times the warming potential. These were used to calculate the Social Cost of Methane (SCM) and social cost of nitrous oxide (SCN).

One of the first Executive Orders (EO) signed by President Trump suspended the IWG stating that SCC cost calculations were not representative of government policy (EO 13783). Despite this order,

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