CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 16, 2018

H.R. 3117
Transparency and Honesty in Energy Regulations Act of 2017

As ordered reported by the House Committee on Natural Resources on November 30, 2017

H.R. 3117 would require federal agencies to use certain assumptions as part of their analysis when they consider the social cost of greenhouse gases as part of any rulemaking or justification for an agency action.[1] For regulatory analysis, federal agencies currently may use estimates of the social costs of greenhouse gases as a way to quantify the costs or benefits of regulations that increase or reduce greenhouse gas emissions; agencies consider those effects along with other costs or benefits arising from proposed regulations. If federal agencies continue to use estimates of the social costs of greenhouse gases to evaluate a proposed rule or action, the bill would require them to:

- Use discount rates consistent with the Office of Management and Budget's (OMB's) Circular A-4 guidance to federal agencies;[2]
- Consider only domestic, rather than international, costs and benefits of the activity; and
- Use only the most up-to-date and empirically estimated climate sensitivity distributions and realistic time horizons for climate change scenarios.

H.R. 3117 also would require the Environmental Protection Agency (EPA) to submit a report to the Congress describing the number of agency actions that have used estimates of the social costs of greenhouse gases since 2009.

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1. The social cost of carbon, the social cost of methane, and the social cost of nitrous oxide are estimates of the net present value of economic and other damages caused by the climate change resulting from one ton of each of those greenhouse gases being emitted into the atmosphere in a given year. The estimates are expressed in terms of dollars per ton of each gas and use discount rates to combine the cost of damage incurred over long periods into a single, net-present-value estimate of the costs of climate change.

2. Discount rates are used in cost-benefit analysis to account for differences between cost and benefits over time, allowing for all benefits and costs to be considered in equivalent units at the present time. OMB's Circular A-4 instructs federal agencies to use discount rates of both 3 percent and 7 percent as a default, base-case scenario when performing cost-benefit analysis of all regulatory actions.

The costs of implementing the bill would depend on the extent to which federal agencies use estimates of the social costs of greenhouse gases as part of the analysis of agency actions. Based on a review of regulatory actions by federal agencies in 2017 and using information from EPA, CBO expects that federal agencies will continue to use estimates of the social costs of greenhouse gases in the analysis of rules during the 2018-2022 period. Executive Order 13783, issued in 2017, already requires federal agencies to use OMB's discount rates and to quantify only the domestic costs and benefits when using such social cost analysis.

To comply with the bill's requirement that estimates of the social costs of greenhouse gases incorporate current assumptions about climate sensitivity and realistic time horizons, CBO expects that federal agencies would need to update estimates at least once over the 2018-2022 period to account for changes reported in the climate change literature. An interagency estimate of the social cost of greenhouse gases was first issued in 2010, and estimates were updated in 2013, 2015, and 2016. Based on information from EPA about the process for past updates of the social costs of greenhouse gases, CBO estimates that the update would cost $1 million over the 2018-2022 period.

Enacting H.R. 3117 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 3117 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 3117 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Jon Sperl. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.