

OMB Official Highlights EPA Problems In Assessing Benefits Of Air Rules

The Bush administration's top regulatory review official is highlighting recent EPA findings about the difficulty in determining the benefits of regulations to curb particulate matter (PM) emissions. The EPA review is an example of the kind of cost-benefit assessments OMB is encouraging all agencies to perform to improve the accuracy of information used in making regulatory decisions.

The White House Office of Management and Budget's (OMB) regulatory chief John Graham discussed the EPA review at a June 17 press event by the environmental think-tank Resources for the Future to promote an upcoming book on United States and European environmental efforts. Graham said the EPA analysis, released last month as part of the agency's nonroad diesel rule, suggests the agency is as much as 30 times less certain about the estimated benefits for controlling emissions than previously assumed.

The EPA review was the first of its kind conducted by the agency as part of OMB's government-wide effort to improve the accuracy of cost-benefit assessments.

Industry officials say such cost-benefit reviews could raise serious questions about the effectiveness of various regulations.

A source with the industry-funded Center for Regulatory Effectiveness (CRE) says EPA's findings may prompt agency critics to argue the benefits are too uncertain to justify the regulations. "People will say, how can you use the estimates?" the source says.

In a related development, an EPA advisory panel of economists last month expressed concern that OMB's requirement for more extensive cost-benefit reviews may delay needed regulations.

But the CRE source says OMB in the past has published figures on the regulatory benefits of policies by EPA and other federal agencies that were "astronomically" high, and that an increased focus on assessing the uncertainty of those reviews will provide OMB with a way to shape estimates at the "front-end" of the process.

For its nonroad rule, EPA did a "probabilistic" study on the likelihood of certain benefits, while launching a pilot project on how to seek expert advice on linking the targeted pollutants to health effects. The so-called expert-judgment project will likely be expanded to future rules, an agency economist says, and could explore how different types of particles may contribute to the uncertainty in agency estimates.

Graham noted that a past EPA study of its sulfur dioxide cap-and-trade program used an "uncertainty factor" of three, while the more recent estimate of the agency's nonroad rule revealed an uncertainty factor of at least 20. An expert panel suggested a factor of more than 100, Graham added.

An uncertainty factor is a ratio that compares the highest possible benefit to the least likely benefit of a regulation. -- *Neil Shah*