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# IS OMB putting its thumb on the scale against the environment?

BY CLIMATE GUEST CONTRIBUTOR MAR 23, 2010 9:41 AM

**The Office of Management and Budget is proposing to skew the formula used to weigh pending government regulations, reducing the value assigned to potential benefits**



**The result would be to give industry a strengthened weapon to fight standards with huge claims of anticipated costs, while the anticipated benefits are greatly discounted. This puts the wide sweep of President Obama's energy and environment policies in jeopardy,** guest bloggers Dan Becker and James Gerstenzang explain. Becker is director of the Safe Climate Campaign, which advocates for strong policies to fight global warming. Gerstenzang is editorial director of the Campaign.

Working quietly out of the spotlight, OMB is preparing a section of the nearly-complete automobile fuel economy and global warming pollution rule that would deeply undervalue its benefits. If issued by the Obama administration, it would impose tall barriers to implementing a broad spectrum of future regulations intended to protect the environment and implement sound energy policies.

Think of it as OMB putting a heavy hand on one side of the scales that weigh the costs and benefits of government regulations before they are put into effect””adding to the burden of those arguing that the benefits outweigh the costs.

The Safe Climate Campaign and six other environmental organizations blasted the OMB language at the end of last week.  We warned in a letter to OMB Director Peter Orszag, Transportation Secretary Ray LaHood and Lisa Jackson, director of the Environmental Protection Agency, that the addition to the otherwise popular rule would undermine the final standards governing greenhouse gas emissions and fuel economy. The rules are expected to be unveiled within days.



We warned that the new language would establish an inaccurate cost-benefit analysis in the rule being applied to cars and light trucks from 2012 to 2016.

We also raised concern about the long-term impacts, warning: “More broadly, this flawed approach to valuing consumer energy savings could bias the cost-benefit test which OMB applies to a broad range of critical energy efficiency laws and proposals.”

The letter continues:

> Last May, President Obama was joined by Cabinet officials, State regulators, and representatives from the auto industry as he announced groundbreaking clean vehicle standards. In response, the Environmental Protection Agency and the Department of Transportation worked closely together to propose standards that deliver on the President’s promise to save consumers money, cut America’s oil dependence, and curb global warming emissions.
>
> The substantial consumer benefits that come from saving money at the gas pump due to improved fuel economy are a cornerstone of these standards. These savings far outweigh the

> cost of applying fuel-saving technology to new vehicles sold between model years 2012 and 2016. Unfortunately, OMB has injected a deeply flawed approach that severely discounts these important consumer benefits.

The OMB effort runs counter to the administration's strong and positive agenda on energy efficiency, renewable energy and the environment in general. Most significantly, it could derail much of what the administration is setting out to accomplish on the environment.

Administrations have historically discounted by three to seven percent the benefits of future actions intended to save energy, on the assumption that the money saved by reducing energy use could earn that much in interest during normal economic times. Similarly, it reflects the standard cost of borrowing money.

OMB is proposing that the "discount rate" be increased to 25 percent, 35 percent and in some instances as much as 50 percent""a radical departure based on its argument that Americans don't value saving energy.

The effort to dramatically increase the degree to which benefits are discounted is a departure even from the path taken by the George W. Bush administration, which adhered to the standard three-to-seven percent discount rate. Hidden in a thick new document, it would be a Trojan horse, introducing a new test that regulators could then apply to future rules, citing it as precedent.

The letter was signed by representatives of the American Council for an Energy Efficient Economy, the Consumer Federation of America, the National Wildlife Federation, Public Citizen, the Safe Climate Campaign, the Sierra Club, and the Union of Concerned Scientists.

It said:

> OMB's recommendation is based on how economic theory indicates consumers would respond if there was a perfect free market for fuel economy. But in reality, consumers face a highly imperfect market with limited and even misleading information, little foresight on gasoline prices, and few options when it comes to fuel economy. Applying such high discount rates will simply reinforce the very market failures the clean vehicle standards are intended to address. Therefore, this is a flawed approach to assessing a critical energy savings standard and should not be included in the final rule.

OMB's move contravenes the President's promise of transparency. Much like efforts in Congress to quietly attach unpopular legislation to broad measures certain to be enacted, the effort to apply the radically steep discounts to the benefit measures takes advantage of the broad support for the changes in the Corporate Average Fuel Economy (CAFE) program among consumers, environmentalists, and the auto industry.

OMB should cease and desist.

*UPDATE: It has been reported that this is a misunderstanding. I've talked to the authors and they stand by their* *story. I have received no information from OMB or anyone else that any aspect of this story is incorrect. If I do, I'll be happy to correct it.*

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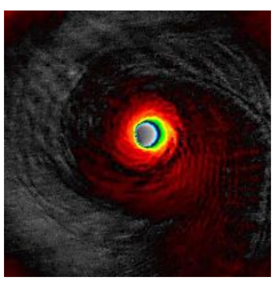

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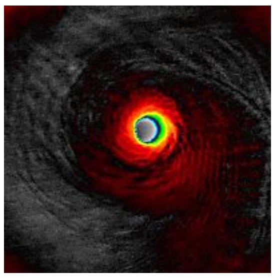

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