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FRONTIERS OF FREEDOM

The Honorable Evan Jenkins
502 Cannon House Office Building
Washington, DC 20515

July 19, 2016

Dear Representative Jenkins,

We write in support of your bill, the Transparency and Honesty in Energy Regulations Act of 2016 (THERA). THERA halts the use of the administration's fatally flawed and arbitrary "social cost of carbon" (SCC) and the "social cost of methane" (SCM) in agency rulemaking and regulatory action. We applaud your leadership on this issue and urge other Representatives to support this legislation.

The SCC and SCM are products of the Obama administration's Interagency Working Group (IWG) on the Social Cost of Carbon. The problems with these calculations are many, but the most important are that these calculations are "wholly arbitrary," that the IWG refuses to follow OMB's guidelines for economic analysis, and that these are economic models which are calibrated to follow climate model projections, not actual, real-world data. The problems are too large to ignore, especially since they are being used to justify regulations that make energy more expensive for American families and businesses.

The biggest problem with the SCC was explained by MIT Professor Robert Pindyck, who writes that computer-generated SCC estimates are "close to useless" for guiding policymakers, and models are "arbitrary" having no basis in either economic theory or empirical observation.

If the arbitrary nature of the SCC and SCM wasn't a big enough problem, OMB's Circular A-4 outlines some requirements for "good regulatory analysis." The administration's IWG, however, refused to follow two of the important guidelines (an analysis at a 7 percent discount rate and an analysis of only domestic benefits instead of only global benefits). Their failure to comply has the combined effect of justifying much more costly regulations which, in turn, drive up the cost of energy in the United States.

Another major flaw is that the IWG tuned their calculation of the SCC to follow computer climate models, rather than real world data. If the calculations are re-run using empirical data, according to one SCC model the numbers should be 30 to 50 percent lower and according to another SCC model, the SCC should be over 80 percent lower. In fact, if the IWG only used this second model, there is a 40 percent chance that the SCC would be negative, i.e., carbon dioxide actually turns out to be a benefit to the economy. For more on this issue, see this op-ed and this paper.

Your bill recognizes that the government has been playing "fast and loose" with the SCC and SCM, in what can fairly be described as an attempt to generate numbers that justify their administrative actions in pursuit of their political Global Warming agenda. By putting a stop to it, your legislation will also put a stop to higher energy prices for American families and businesses. We applaud your efforts and thank you for this important initiative.

Sincerely,

Thomas Pyle, American Energy Alliance
Myron Ebell, CEI
Mike Needham, Heritage Action
Tom Brinkman, COAST
Marita Noon, Energy Makes America Great
Craig Richardson, E&E Legal
George Landrith, Frontiers of Freedom
James Martin, 60 Plus
Dave Stevenson, Cesar Rodney Institute
Fred Birnbaum, Idaho Freedom Foundation
Seton Motley, Less Government
Brett Healy, MacIver Institute
Brent Mead, Montana Policy Institute
Harry Alford, NBCC
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