



July 28, 2020

RE: Docket ID No. EPA-HQ-OAR-2020-00044, Increasing Consistency and Transparency in Considering Benefits and Costs in the Clean Air Act Rulemaking Process

TO WHOM IT MAY CONCERN:

Thank you for the opportunity to comment on EPA's use of cost-benefit analysis in the Clean Air Act rulemaking process. I am a Ph.D. economist currently serving as associate director of the Maguire Energy Institute in Southern Methodist University's Cox School of Business, where I am also an adjunct professor of business economics. My research focuses primarily on the intersections between economic development, public policy, taxation, and energy infrastructure build-out.

It goes without saying that energy drives the American economy. In recent years, our country has achieved the enviable goals of energy dominance and security, a fact that is not widely appreciated by much of the public. A decade ago, we were a large net energy importer. Today, we're a net exporter. This would not have occurred absent the build-out of the infrastructure to move oil, natural gas, and other products through the energy supply chain. But at the same time this build-out has collided with an ever growing number of federal regulations. If not properly addressed, costly regulatory overload could undermine both our global energy dominance and our national energy and economic security.

That said, I am encouraged by steps taken by the EPA and Administrator Andrew Wheeler to refine the cost-benefit analysis practices utilized by the agency. If applied retroactively to significant Clean Air Act rulemakings, these reforms would improve outcomes for a number of regulations that were based on flawed cost-benefit assessments.

Because the EPA is responsible for nearly 70 percent of the monetized costs from regulatory statutes, and is one of the largest regulators among government agencies, best practices should be based on sound economics and not the whims of the party in office. Administrations come and go, but regulations remain in force. That is why best practices should be insulated from partisan pressure and focused instead on scientifically and economically justified assessments and outcomes.

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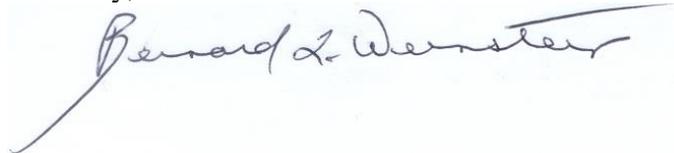
For example, inconsistent definitions across divisions of the EPA have resulted in sub-optimal regulations that frequently impose costs on industries that exceed measurable benefits. Squaring away terminology and definitions, and disclosing which factors are and are not considered in a cost-benefit analysis, can ensure uniformity and clarity in rule making for affected industries. What is more, regulators should only implement rules where the benefits demonstrably exceed the costs of compliance. The agency must also be fair and unbiased in the application of these rules.

Regulations can also be improved through “democratization.” By this I mean eliciting feedback from the public by making agency data, as well as proposed rules, available for scrutiny. The EPA should require that each proposed rule include a summary of expected outcomes, including estimates of benefits and costs, both direct and indirect. Regulators may actually become better informed by sharing this information in an easily understood format with non-bureaucrats and the general public.

I fully support the application of cost-benefit analysis in regulatory rulemaking, and it should be utilized whenever possible. My only caveat is that the process be based on sound economic assumptions and not political agendas. Because regulation is not cost free, faulty cost-benefit assessments can result in a serious misallocation of resources with perverse policy consequences. This has certainly been the case with the U.S. energy industry over the past decade.

Thank you in advance for your consideration of my comments. I look forward to reviewing the final rule.

Sincerely,



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Associate Director

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