

Client Alert

Biden Administration Publishes Interim Social Cost of Carbon Values

March 2, 2021

On February 27, 2021, the Interagency Working Group on Social Cost of Greenhouse Gases (Working Group) published interim values for the Social Cost of Carbon (S-CO₂), Social Cost of Nitrous Oxide (S-N₂O) and Social Cost of Methane (S-CH₄) (collectively referred to as the Social Costs of Greenhouse Gases (S-GHG)). As we predicted in our prior client alert, the Working Group reinstated the values that had been established for these parameters immediately before the Trump Administration disbanded the Working Group in 2017. To that end, for 2021 the Working Group set S-CO₂ at \$51 a ton, S-N₂O at \$18000 a ton and S-CH₄ at \$1500 based on a 3% discount rate. These rates will replace the Trump Administration's calculation of the Social Cost of Carbon, which included values as low as \$1 based on a 7% discount rate. The new figure will be used on an interim basis while a Working Group readies the final values, which are expected in early 2022.

There are two main reasons why these interim figures are so much higher than the values used in the Trump Administration. First, the Working Group reverted to the lower three discount rates (2.5 percent, 3 percent, and 5 percent) that were used in regulatory analyses between 2010 and 2016. The lower the discount rate used, the higher the value assigned to future damages. Second, the Working Group elected to take into account global damages associated with release of greenhouse gases, rather than limiting the analysis to U.S.-only damages.

As we previously noted, a higher Social Cost of Carbon will make it more difficult for agencies to approve actions that cause the release of GHGs because the benefits must outweigh the heightened costs associated with such GHGs. Consequently, we expect there will be intense scrutiny on the underpinnings of the interim Social Cost of Carbon value, in particular, the appropriate discount rate. The Working Group stated that it will soon issue a *Federal Register* notice with a detailed set of requests for public comments on the new information presented in its notice, and we expect that affected industries – on both sides of the issue – could be gearing up for a battle.

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