



The Daily Dish

The EPA Systematizes BCA Under the CAA

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Eakinomics: The EPA Systematizes BCA Under the CAA

No, this is not simply acronym soup. Under the Clean Air Act (CAA), the Environmental Protection Agency (EPA) is required to identify hazardous air pollutants and, where “appropriate and necessary,” regulate them. Over the succeeding decades, the EPA used benefit-cost analysis (BCA) to guide its decisions. The EPA, however, only recently released a [proposed rule](#) that would, for the first time, codify how the agency conducts BCA under the CAA. You can get all the details from AAF’s Dan Bosch’s [piece](#) (or just watch the [Between One Fern with Dan Bosch](#) version).

The key issue is the treatment of co-benefits. For example, in the Obama-era rule limiting mercury emissions from steam electricity generation plants, the reduction in particulate matter was an important co-benefit. Indeed, the benefits of the mercury reductions were \$6 million, while the benefits of the particulate matter reduction were nearly \$90 billion. Since the mercury rule cost \$9.6 billion, how you treat the co-benefits really matters! The EPA approach essentially says that in situations where benefits and costs factor into the decision to regulate or not regulate, do not rely on the co-benefits. In this case, the mercury rule would not be proposed.

Notice, however, that the EPA could easily propose exactly the same technology standards with the goal of reducing particulate matter. In this case, direct benefits would easily exceed costs. Moreover, once that decision to regulate is undertaken, a correct BCA would include all the benefits, including the \$6 million in co-benefits from mercury reduction.

The approach appropriately links the decision to regulate a pollutant to the benefits and costs of regulating *that* pollutant, while allowing the evaluation of the outcome of the regulatory process to appropriately reflect all benefits and costs.