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Pay Now or Pay More Later

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Economics is largely just organized common sense, and it doesn't get much more common sense than benefit-cost analysis. Want to decide whether to buy that apple, make that investment or pass that clean air rule? Tally up the benefits. Tally up the costs. If benefits outweigh costs, do it.

Although in many ways climate change is a problem in its own league, the same principles apply. Secretary of State [John Kerry recently said](#), "The costs of inaction are catastrophic," and they most likely would be. While climate change ought to be a risk [management problem](#) — an existential risk management problem on a planetary scale — that realization alone may not always be good enough. Despite the inherent risks and uncertainties, sometimes we need a specific number that we can plug into a benefit-cost analysis.

The U.S. government makes lots of regulatory decisions that have important implications for the climate. Any benefit-cost analysis of these decisions ought to include their climate impact. If a particular decision will lead to more greenhouse gas emissions — building the Keystone XL pipeline, for example — that figure ought to go on the cost side of the ledger. If the decision will lead to fewer greenhouse gas emissions — such as [carbon pollution standards](#) for power plants — that figure adds to the benefits side.

Such benefit-cost analyses require a dollar figure for the [social cost of carbon pollution](#). The best we currently have [is around \\$40](#) for each ton of carbon dioxide emitted, calculated by averaging results from three of the most prominent and well-established climate-economic models. Uncertainties around the \$40 value notwithstanding, putting in \$0 is not an option. That, sadly, is what some with clear stakes in the outcome [are arguing](#), however weak the ground they stand on.

In fact, \$40 is very likely on the low end of the true cost of CO₂, as [a recent commentary in *Nature* points out](#). By definition, it only includes what is known and currently quantifiable. It doesn't include [many things](#) we know are linked to a changing climate that aren't so easily quantified, such as respiratory illness from increased ozone pollution, the costs of oceans turning ever more acidic and impacts on labor productivity from extreme heat. If these were factored in, the \$40 figure would certainly be higher.

And the list of [what's missing](#) in the current calculation goes on. For example, the models used to calculate the \$40 figure are based on costs associated with higher average temperatures rather than costs of increased weather extremes. Taking extreme events seriously in the social cost calculation would increase the \$40 figure further still.

We know climate change is and will be costly. How costly exactly is up for discussion, but it's clear that we should at the very least use the \$40 per ton figure in any benefit-cost analysis that involves climate impacts. That's common sense, too.

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