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**In-Person Meeting of Economy-wide Modeling Science Advisory Board Panel
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Comments of Bryan Zumwalt
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I would like to thank the distinguished group of experts that have been nominated and agreed to participate in this critical review. My name is Bryan Zumwalt, and I currently serve as the Vice President for Federal Affairs at the American Chemistry Council.¹

Prior to joining the American Chemistry Council I served as chief counsel for two committees in the United States Senate, most recently the Small Business and Entrepreneurship Committee, and from December 2012 through 2014 on the Senate Committee on Environment and Public Works. During the 2013 confirmation process of then-nominee Gina McCarthy, I was the lead negotiator working on behalf of the Senate EPW Committee Members that agreed to a number of action items from EPA in order to support Administrator McCarthy's nomination moving forward. One of those action items was the establishment of this panel, purposed to provide guidance to EPA on the use of whole-economy modeling, to review EPA's current capabilities, and to provide input on how costs and benefits can be better calculated in measuring the full universe of impacts from EPA regulations.

We are optimistic this panel can provide some clear direction to EPA on a critical regulatory matter that has not previously been afforded through the SAB process. SAB staff have indicated that they will readily provide the resources, expertise, and materials you need to fully consider and respond to the questions posed during this process. It is our hope that the panel will not shy away from requesting the resources necessary to experiment with model technologies under consideration, including full access to research on cost and benefit calculations, data for model calibration, and all other resources necessary to produce model estimates that accurately account for economy-wide impacts.

¹ACC represents the world's leading companies in the business of chemistry, an \$801 billion enterprise that provides more than 800,000 skilled, good-paying jobs in the United States. Our industry supports nearly 25 percent of the U.S. GDP and touches more than 96 percent of all manufactured goods.



Let me reiterate some of the key points that were provided in comments last week on behalf of the U.S. Chamber of Commerce, American Chemistry Council, American Forest and Paper Association, American Wood Council, and American Petroleum Institute:

1. Any model used for assessing the broad impacts of Clean Air Act regulation on the economy should include sufficient detail by industry to enable detailed views of both direct and indirect industry impacts. When assessing regulation, the distribution of impacts is as important as the overall impact. While it is important for cost-benefit modeling to capture economy-wide impacts, it should not be accomplished at the expense of reducing the level of modeling detail, such as employment losses and plant shutdowns, regarding highly-impacted industries.
2. Assessing economy-wide impacts should include sufficient regional detail to identify changes in the regional distribution of output and employment, which may imply relocation adjustment costs imposed on labor and capital.
3. The SAB panel should investigate the inclusion of trade flows to estimate the effects of regulatory costs on U.S. tradable sectors. It is important to note the impacts of regulation on U.S. competitiveness, a key element missing in virtually all partial equilibrium estimates of regulatory impacts and in many general equilibrium impacts estimates. Many industries are more susceptible to employment and production displacements due to fierce foreign competition; when this is the case the magnitude of regulatory compliance costs alone is insufficient to judge the true impact of a regulation.
4. The SAB panel should carefully evaluate EPA's attempts to add benefits estimates that revolve around non-market impacts into economic models that evaluate the effects of policy on market transactions. Much of EPA's discussion in its analytical blueprint and draft charge questions revolves around incorporating benefits estimates into models, with the Agency noting the magnitude of effects in previous model runs.²
5. The Associations recommend that the SAB panel take great care to ensure that the cost analysis of any whole economy modeling that EPA undertakes provides sufficient detail as to be useful in addressing current gaps in knowledge in typical regulatory impact analyses. Specifically, EPA should be considering the impacts of regulations on industry sectors' competitiveness in global trade and the impacts of regulation on employment and how those employment impacts affect specific regional economies that are strongly tied to affected industries.

² The SAB should carefully investigate the mechanisms by which EPA proposes to include benefits, many of which affect non-market transactions or accrue to individuals through non-traded channels. It is imperative that the channels of transmission for estimates of price and quantity impacts of benefits claims be thoroughly and carefully vetted to ensure that "phantom" benefits do not inflate estimates and thereby short circuit the usefulness of economy-wide models for addressing the appropriateness of policy choices.

Finally, I'd like to close with some comments on costs and benefits. There has been significant debate over EPA's calculation of fine particulate matter benefits (PM2.5) and the utilization of such to help justify Clean Air Act regulation since 1997. At some juncture the double and triple counting of PM benefits will no longer be defensible. However, if this panel endeavors to engage in health benefits calculations I would hope that levels of uncertainty would be a critical component of that discussion. As well, there are also societal costs from unemployment impacts that EPA has perpetually ignored. In 1988, EPA commissioned a study titled "Methodology for Estimating Unintended Health Effects of Regulation."³ The findings of that study clearly articulated some of the human and societal health impacts of regulation, including child neglect, alcoholism, physical deterioration, and even increased mortality rates. To my knowledge, however, this study was never publicly released or revisited, and the study's findings were not incorporated into EPA's cost-benefit analyses. It would be unfortunate if this panel were to delve into the health benefits of regulation without also taking into consideration the health impacts from unemployment caused by regulation as well as opportunity costs.

Thank you for allowing me to present today.

³ CONSAD Research Corporation for U.S. Environmental Protection Agency, "Methodology for Estimating Unintended Health Effects of Regulation," EPA Contract Number 68-01-7288 (Washington, DC: Sobotka and Company, Inc., October 31, 1988)