Summary Minutes of the
U.S. Environmental Protection Agency (EPA)
Second Generation Model Advisory Panel
Public Teleconference
4/1/05

Committee Members:	Dr. Lawrence Goulder, Chair Dr. Carol Dahl Dr. James Opaluch Dr. Sergey Paltsev Dr. Adam Rose Dr. James Shortle Dr. Ian Sue Wing Dr. Michael Hanemann
Date and Time:	2:00pm – 4:00pm, April 1, 2005
Purpose:	The purpose of this first teleconference of the Second Generation Model Advisory Panel is for panelists to discuss the Second Generation Model.
SAB Staff:	Dr. Holly Stallworth, Designated Federal Officer
Other EPA Staff:	Michael Shelby, Michael Leifman, Alan Fawcett, Jane Leggett, Eric Smith
Other:	Ron Sands, Hugh Pitcher, Antoinette Brenkert, Jay Edmonds (all from Pacific Northwest National Lab), Ray Kopp (RFF)

Meeting Summary

The discussion followed the issues and general timing as presented in the meeting agenda (Attachment A).

FRIDAY, APRIL 1, 2005

Opening of Public Meeting

Dr. Holly Stallworth, Designated Federal Officer (DFO) for the Second Generation Model Advisory Panel, opened the meeting with a statement that the SGM Advisory Panel is a federal advisory committee whose meetings are subject to the requirements of the Federal Advisory Committee Act.

Dr. Michael Shelby from EPA's Office of Atmospheric Programs spoke to the group about the possibility of having a longer, more open-ended review so that the Panel and OAP can have a back-and-forth dialogue on the more critical threshold issues before writing the Advisory.

Dr. Goulder and other panelists voiced support for a sequential, iterative process. Dr. Vanessa Vu, SABSO Director, said that SABSO could adapt to such a process. Dr. Goulder proposed having a two-stage advisory with the first report calling attention to the most critical information needed by the Panel, as well as most critical improvements to the SGM model or its data or parameters. The Panel would then offer a second, follow-up report based on information provided by PNNL and PNNL's responses to the Panel's initial requests.

The members discussed issues with the documentation. In terms of the improved documentation, one member said the Panel needed to see the economic interactions, how things lead up to excess demands and the equilibrating prices. Other recommendations for highest priority changes to the SGM included building a household sector, improvements to international trade, and a nested CES structure. The members also discussed whether there might be some inefficiency in documenting something that needs to be changed.

One member mentioned the need for calibration and validating the model as a whole and the members discussed doing this against historical data. Sensitivity analysis was also suggested as a way of testing the model's performance.

The Chair guided the Panel toward prioritizing its top recommendations with the following two-tiered set decided upon.

<u>First Priority:</u>

- Documentation
- Improve Int'l trade
- Utility Based Household Sector, Improved Welfare Measures
- Better Indication of Model Performance --- Let's divide this into sensitivity analysis (high priority) and validation (more extensive, but less critical right away).
- Better Documentation of Empirical Basis for Parameters
- Clarifying Treatment of EE Sector
- CES Nesting

<u>Second Priority:</u>

- Updating Data Set – lower priority
- Endogenize Non-CO2 Greenhouse Gases – lower priority
- Sector-Specific Policies – lower priority

The Panel interacted with the OAP on various procedural possibilities for amplifying these recommendations. The Chair suggested panelists volunteer to write more details on each recommendation after "assignments" were made based on each panelist's expressed interest. A memo outlining this procedure would come shortly. After volunteering for particular topics, panelists will need to act quickly to write up their detailed recommendations in order to be ready for a May 6 teleconference.

Respectfully Submitted:

/Signed/ Holly Stallworth

Certified as True:

/Signed/ Larry Goulder

Chair