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**Oral Remarks by Paul Wiegand of NCASI before the EPA Science Advisory Board;
Environmental Economics Advisory Committee; April 19, 2012 Public Teleconference**

My name is Paul Wiegand and I am the Vice President of the National Council for Air and Stream Improvement, Inc. (or NCASI). NCASI is a not-for-profit organization that conducts environmentally-related studies on behalf of the forest products industry. NCASI is a voluntary membership organization that is broadly supported by the US forest products industry. NCASI members account for more than 90% of the pulp and paper production and two-thirds of the wood panel production in the US.

NCASI undertakes technical studies at the direction of its members and in early 2011, was asked by its members and the American Forest and Paper Association (AF&PA) to compare costs anticipated to be incurred by the pulp and paper industry due to EPA's Cluster Rule (so called ex-ante costs) with estimated actual expenditures made by the industry in association with Cluster Rule requirements (so called ex-post costs).

NCASI's work was undertaken separately for the Effluent Limitations Guidelines (ELG or, in EPA's report BAT/PSES) portion of the Cluster Rule and the MACT portion of the rule. I am here today to speak only about the Effluent Guidelines portion of the cost analysis. NCASI completed a report comparing ex-ante cost estimates made by EPA and the industry with

estimated ex-posts costs. That report was provided to EPA earlier this month and is titled “Retrospective Analysis of Actual Capital Expenditures and Compliance Cost Estimates for EPA’s Effluent Limitations Guidelines Portion of the 1998 Cluster Rule.” We understand that the SAB has been provided a copy of that report. My remarks today are in regard to that report and will focus on differences between the NCASI report and NCEE’s analysis as described in the Draft White Paper titled “Retrospective Study of the Costs of EPA Regulations: An Interim Report.”

The most important difference between the two reports is that while EPA concludes that it likely overestimated the ex-ante costs of compliance with the BAT/PSES rule, NCASI shows that EPA’s ex-ante cost estimates were more likely underestimated by about 34% and that the industry’s ex-ante cost estimate was quite close to the actual, or ex-post, cost of compliance.

The primary reason that the reports differ in their conclusions is that EPA’s analysis neglected to consider costs borne by the industry in association with the first BAT/PSES proposal and the related commitment by the industry to covert operations to ECF bleaching (that is, eliminating the use of chlorine in pulp bleaching).

EPA’s draft white paper and the NCASI report employed the same basic technique for comparing ex-ante and ex-post cost estimates. In both cases, ex-ante costs were based on expected expenditures considering technology in place at the time the estimates were made. The industry ex-ante estimate was made for technology in place in 1993. EPA’s ex-ante estimate was made for technology in place in 1995.

In estimating ex-post costs, both NCEE and NCASI used cost survey data gathered and reported by NCASI in Special Report No. 03-07. That cost survey data is illustrated in Figure 2 in

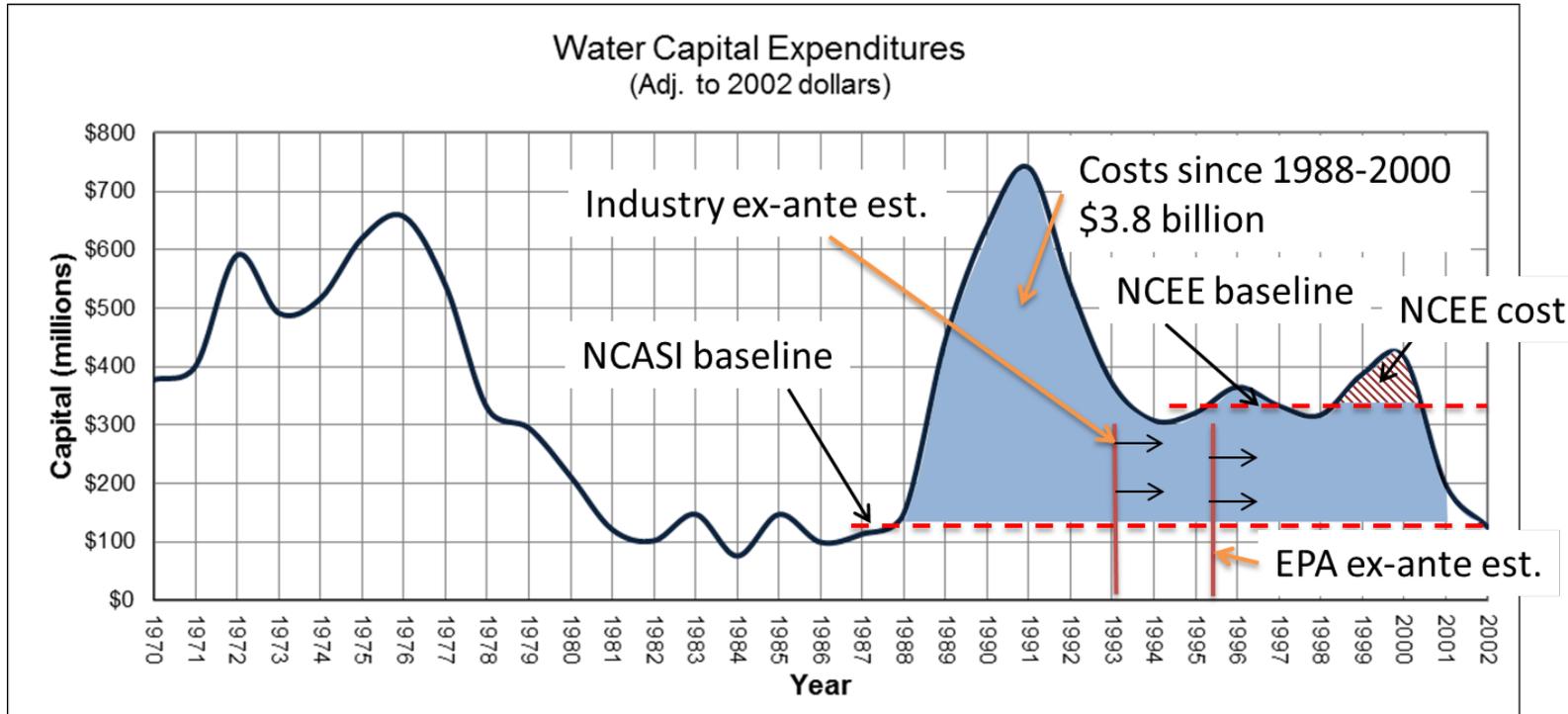
NCASI's 2011 retrospective cost analysis report (and reproduced here in Figure 1 of this document). For several reasons which are documented in that report, the appropriate baseline of water-related environmental capital costs absent significant federal rulemakings is about \$115 million annually (in 2002 dollars) as shown for the period 1982-1986 and again in 2002, following the BAT/PSES compliance deadline.

NCEE's estimate of ex-post costs is incorrect for two reasons. First, NCEE selected the period of 1995-1997 as baseline when, in reality, capital expenditures were most certainly being made by the industry during that period to fulfill its commitment to ECF (non-chlorine bleaching) which, ultimately, was the BAT/PSES rule requirement. Secondly, NCEE's methodology only accounted for costs between 1998 and 2001 when, in fact, compliance related costs were borne by the industry well before this period as shown by EPA's ex-ante cost estimate made for 1995, the industry's commitment to ECF bleaching in 1993, and the capital expenditure survey data collected by NCASI.

The NCASI retrospective cost analysis report shows that the EPA's ex-ante costs were underestimated by 34% and, therefore, we would conclude that NCEE's draft white paper finding that EPA overestimated compliance costs is not valid and should be reconsidered.

NCEE's ex-post capital cost estimate of \$65 million (1995 dollars) for the BAT/PSES rule is, in our opinion, underestimated by a considerable amount.

Figure 1. Graphical Representation of Ex-ante and Ex-Post Cost Estimates



Organization	Period	Projected Cost (2002 dollars)	Actual Cost (2002 dollars)	Underestimate
Industry	1993-2000	\$1.875 billion	\$1,895 million	1%
EPA	1995-2000	\$1.079 billion	\$1,445 million	34%
NCEE	1998-2000		\$67.6 million	