

Summary Minutes of the
U.S. Environmental Protection Agency (EPA)
Second Generation Model Advisory Panel
Public Teleconference
December 2, 2004

Committee Members: Dr. Lawrence Goulder, Chair
Dr. Dallas Burtraw
Dr. Carol Dahl
Dr. Glenn Harrison
Dr. Michael Hanemann
Dr. James Opaluch
Dr. Sergey Paltsev
Dr. William Pizer
Dr. Adam Rose
Dr. James Shortle
Dr. Ian Sue Wing

Date and Time: 2:00pm – 5:00pm, Dec. 2, 2004

Purpose: The purpose of this first teleconference of the Second Generation Model Advisory Panel is for panelists to hear a brief overview of the model, discuss the charge questions and the general process and next steps (including meeting schedule) for accomplishing this advisory.

SAB Staff: Dr. Holly Stallworth, Designated Federal Officer

Other EPA Staff: Michael Shelby, M. Leifman, Eric Smith, Alan Fawcett

Other: Ron Sands, Hugh Pitcher, Antoinette Brenkert, Jay Edmonds

Meeting Summary

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

THURSDAY, DECEMBER 2, 2004

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.

The Panel Chair stated the purpose of the meeting: to clarify the panel's strategy and develop next steps. The Chair then reviewed the charge questions, summarizing the general categories of questions.

One member asked about the resources being provided for the model. In response to this question, OAP representative said that they could only speak for EPA's share of the funding, which was \$200,000 in FY03-04. This member asked for a more refined, but lower bound, estimate for the next meeting.

Members discussed the bounds of the Panel's advice and were advised by the SAB Staff Office Director that recommendations outside the scope of the charge questions were welcome, but that the Panel was not in the business of developing new charge questions. The Staff Office Director also briefed members on the advisory process, emphasizing that EPA is obligated to write a response to the Panel's report.

Dr. Michael Shelby of the Office of Atmospheric Programs walked the Panel through the attached Powerpoint overview of the SGM.

Some discussion ensued on the non-nested Constant Elasticity of Substitution (CES) production function used in the model. The model developers from the Pacific Northwest National Laboratory clarified that the model uses a flat CES production function, a vintage structure with one elasticity of substitution across all inputs. The model developers also spoke about the distinction between clay, semi-putty and putty production functions.

One member asked whether the SGM incorporated any welfare impacts and was told that the SGM did not have utility functions for the household sector.

Members asked about the difference between an "advisory" and a "peer review" in the SAB. The DFO clarified that an advisory is ex ante, while a peer review is ex poste.

A member asked about the mechanics of running the SGM and expressed a desire to access the source codes as well as the executables.

Some discussion ensued on the other models that might provide competition for the SGM. EPPA and Merge were cited as the closest competitors.

A suggestion was made that since SGM doesn't capture damages or associated benefits from reducing emissions, the Panel might consider as one of its recommendations that EPA incorporate those channels. The OAP offered further detail on how the SGM fit into its portfolio of models and that SGM was used to analyze various policies to achieve reductions globally or unilaterally. Members inquired further about the policy climate in which SGM operates.

PNNL developed talked about future plans for the model and the current effort to convert the model to a C++ object-oriented platform. One member asked about the 1990 date for the input-output tables. PNNL described an effort to move the base year to 2000.

The Chair asked for suggestions as to the best way to proceed. The Chair suggested one way to proceed would be to list the dimensions of model (Dynamics, treatment of trade, household, different gases, production function). Members could then comment on strengths and weaknesses in each of these areas. Again, the members broached the topic of comparing the SGM to other models. This discussion concluded with a request to OAP for a brief précis of the strengths and weakness of the top 3 models. OAP agreed to this request.

The Chair then listed some dimensions of the model and asked panelists to elaborate. The Chair pledged to send out a finalized list of dimensions of the model so that panelists could offer written comments under particular topic areas in advance of the next face-to-face meeting.

Members also decided that, in the interest of efficiency, suggested reading materials be initially sent to the Chair who would then make a judgement on whether a particular article should be assigned as a common reading assignment. OAP volunteered to put together a set of useful articles.

Members agreed to continue the scheduling process for the next meeting via e-mail.

Respectfully Submitted:

/Signed/ Holly Stallworth

Certified as True:

/Signed/ Larry Goulder

Chair