

The Pruitt Cost-Benefit Sleight-of-Hand

July 2017

Costs and Benefits of Proposed Rule: When the 2015 rule was finalized, it was accompanied by a number of economic analyses to assess the costs and benefits of the rule as required by law. Potential costs associated with an expansion of jurisdiction include:

1) costs to the regulated community (e.g., development of plans, permit applications, mitigation costs, penalties for violating the laws); and 2) costs to the regulators (e.g., employees necessary to review permit applications, issue permits, conduct inspections, etc.).

Potential benefits associated with an expansion of jurisdiction include:

1) avoided costs of environmental damage (e.g., adverse impacts to fisheries, water quality, drinking water and recreational sites); and 2) direct values and services of the natural resources (e.g., flood storage and water purification provided by wetlands, recreational values, fishing and hunting, etc.).

EPA and the Corps used a willingness-to-pay (WTP) analysis to look at benefits, in order to capture the inherent value of the wetlands. In other words, they looked at surveys of households that gauged how much people were willing to pay to preserve wetlands rather than see them destroyed.

The updated economic analyses in Pruitt’s repeal: When EPA and the Corps issued the proposed repeal of the 2015 rule, they also issued a new economic analysis (EA). In it, the agencies argue that failure to implement the rule will avoid the costs associated with the rule, and the benefits which will never occur will be forfeited, or forgone. This conclusion was based upon one paragraph of pseudo-analysis which reads:

“The largest and most uncertain estimates from the 2015 CWR EA are associated with the benefits of the CWA 404 program. The 2015 CWR wetland benefits were derived through a benefit transfer exercise using 22 estimates from 10 studies, examining households’ willingness to pay for wetland preservation. The studies were published between 1986 and 2000, although the agencies attempted to find more recent studies. More recent wetland studies were not available. The age of these studies introduces uncertainty, because public attitudes toward nature protection could have changed. However, the agencies are confident that the forgone benefits of wetlands protection are greater than zero, and therefore present these as unquantified benefits in the tables below.”¹

Poof –all benefits are gone.

The difference between the two economic analyses is simple: the agencies zeroed out all benefits associated with wetlands protection. A comparison table is shown below:

¹ Pp. 8-9, “Economic Analysis for the Proposed Definition of ‘Waters of the United States’ – Recodification of Pre-existing Rules.”

Estimated Costs/Benefits of Section 404 of the CWA under the 2015 Clean Water Rule vs. the Proposed Repeal

	Annual Costs vs. Benefits of the 2015 Clean Water Rule (FY16 \$millions)		Annual Avoided Costs vs. Forgone Benefits of Proposed 2017 Repeal (FY16 \$millions)	
	Costs	Benefits	Avoided costs	Forgone benefits
CWA 404 Permit Application	\$29.4 - \$82.2	\$313.5 - \$513.2	\$29.4 - \$82.2	Not quantified
CWA 404 Mitigation - wetlands	\$55.7 - \$255.4		\$55.7 - \$255.4	
CWA 404 Mitigation - streams	\$23.3- \$46.2	Not quantified	\$23.3 - \$46.2	Not quantified
TOTAL	\$108.4 – \$383.8	\$313.5 – \$513.2	\$108.4 - \$383.8	\$0 + \$B

*\$B is a stand-in for the unquantified benefits.

While it is true that there are very few recent WTP studies on these types of wetlands, replacement cost and ecosystem services are, and remain, valid measures from which to derive benefits. Moreover, it could be argued that changes in public attitudes since 2000 may make wetlands even more valuable today.

In any event, completely zeroing out all benefits associated with wetland protection makes little sense in trying to sincerely weigh costs versus benefits. By doing so, Trump’s EPA is ignoring both disciplines of science and economics.

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