Comment Letter: 9.18.2023
Comment on Office of Management and Budget Notice; Document Number: 88 FR 50912
Draft Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit Cost Analysis
To be submitted to Regulations.gov docket

To whom it may concern:

The Coastal Flood Resilience Project appreciates the opportunity to respond to the notice by the Office of Management and Budget (OMB) seeking comments on the draft *Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit Cost Analysis.*

The Coastal Flood Resilience Project (CFRP) is a coalition of nonprofit organizations working for stronger national programs to prepare for coastal storm flooding and rising sea levels along the coast of the United States. The CFRP website includes white papers and letters to Congress and federal agencies on a range of topics related to coastal flood resilience and sea level rise. The CFRP provided detailed comments on needed improvements to cost-benefit analysis generally in this White Paper; see page 14-19.

The CFRP applauds the Biden administration for its continuing efforts to improve methods for analysis of costs and benefits of government actions, including regulations and projects. This work includes the proposed guidance on ecosystem services, revision of OMB Circulars A-4 and A-94, and the development of improved estimates of the social cost of carbon under Executive Order 13990. Federal agencies use cost-benefit analysis in developing regulations and projects related to coastal flood resilience and improvements to this tool will strengthen coastal flood resilience decisions and programs.

Comments on the Proposed Ecosystem Services Guidance

The proposed draft *Guidance* is a constructive step forward in helping agencies make good decisions as they consider the costs and benefits of proposed government actions but could be improved in several respects as described below.

1. **Address Projects as Well as Regulations:** The draft *Guidance* consistently refers to analysis of the costs and benefits of regulations but does not mention how the guidance should apply to cost-benefit analysis of projects. It seems likely that agencies will use the final guidance for their assessment of the ecosystem services aspects of cost-benefit analysis of projects as well as regulations. **The final guidance should be revised so that it clearly applies to assessment of both regulations and projects and any differences in consideration of ecosystem services for projects, as opposed to regulations, should be described. If the final guidance remains focused on just regulations, this limitation should be clearly stated, and agencies should be guided to other sources to support assessment of ecosystem services impacts of projects.**

2. **Highlight Goal to Measure Ecosystem Damages as Well as Benefits**: The draft *Guidance* makes the important point that assessment of ecosystem services should not be limited to measuring the value of the ecosystem benefits but should also include measurement of the damages to ecosystems (see paragraph 1, page 1). Ecosystem damages by proposed regulations and projects are too often overlooked or undervalued. **The importance of recognizing damages to ecosystem services as well as benefits should be retained and better highlighted in the final guidance.**

3. **Describe Statutory or Regulatory Obstacles to Implementing the Guidance:** The final guidance should address circumstances where its implementation will likely be impeded by existing agency regulations or other factors. There is a statement on page 2 of the draft *Guidance* on the topic of conflicting requirements:

   > Insofar as this guidance conflicts with any internal guidance, agencies should consult with OMB.

   This statement fails to recognize important existing conflicts and is not sufficient disclosure and description of the significant work needed to align agency practice with the guidance. **This and similar obstacles to implementation of the guidance should be acknowledged and more fully described in the final guidance.**

   For example, the Water Resources Development Act and supporting regulations provide that, although non-monetized ecosystem benefits and costs may be considered in early project plans and analysis, final decisions about funding of projects are to be based only on monetized impacts (i.e., the benefit cost ratio or BCR). The Army Corps of Engineers is in the process of modifying its project development regulations to be consistent with the Water Resources Principles and Requirements and this change may allow for increased consideration of non-monetized impacts in project decision-making. But there is now no public schedule for publication of a draft regulation that might accomplish this update.

Until this regulation change is accomplished, an important application of the new guidance will be limited (see this CFRP White Paper for more information; page 11).

4. **Recognize Significance of Benefit-Cost Ratio for Decision-Making:** There is some evidence that decision-makers focus on monetized costs and benefits presented in a benefit-cost ratio (BCA), even when strong evidence is offered in the form of merely quantified or qualitative assessments, including assessments of ecosystem services. A report published by the Army Corps of Engineers in June 2023 concluded:

> The study team also considered how incorporation of ecosystem service benefits and associated costs impacted the benefit cost ratio (BCR). Although the ratio of benefits to costs increased in some studies, the inclusion of ecosystem services decreased the ratio in others due to increased costs associated with NBS implementation. Additionally, incorporating additional ecosystem service benefits did not change alternatives ranking in most cases based on BCA alone. (page ix)

There is a risk that the final guidance may result in agencies concluding that avoiding monetizing ecosystem services is acceptable when a practice described in the new guidance using the quantified or qualitative assessment methods is applied. This could result in a failure to pursue all avenues for monetized assessment of ecosystem services and a corresponding failure to fully translate ecosystem service impacts into the BCA that will drive decision-making and options selection. This could ironically result in improved representation of ecosystem services impacts in cost-benefit assessments generally but a decline in the application of this information in the critical option selection phase dominated by the BCA.

The final guidance should be improved by addition of a discussion of the potential for agencies to move too easily to the quantified and qualitative forms of analysis endorsed by the guidance and the importance of rigorously developing all options resulting in monetized costs and benefits before turning to other methods.

5. **Commit to Support Expanded Benefits Transfer Database:** Given the importance of strengthening methods to monetize ecosystem assessments, it is important that OMB commit as part of the ecosystem services guidance process to supporting development of tools that agencies need for this work. In its June 2023 report on enhancing benefits evaluation in cost-benefit analysis, the Army Corps of Engineers concluded:

> An opportunity therefore exists to support more comprehensive BCA through development of additional guidance and resources for monetizing environmental and social benefits.

The report points to the need for developing cross-agency tools for "benefit transfer analysis" (i.e., the practice of adapting available economic value estimates to evaluate a proposed change in some other "similar" resource) and recommended:

> Development of a benefit transfer database and/or decision support tool(s) to support ecosystem valuation in BCA analysis. This could build on similar efforts by other agencies, such as the U.S. Environmental Protection Agency and the National Oceanic and Atmospheric Administration. (page xi)

The final guidance should include a commitment from OMB to support an effort across federal agencies to develop a benefit transfer database to enhance effective monetization of ecosystem services in cost-benefit analysis.

6. **Expand Discussion of Non-Use Value:** The existing discussion of "non-use value" of ecosystems is an important element of the description of the elements of human welfare that can be affected by ecosystem services. As the draft *Guidance* states:

> It is common for individuals to forgo consumption or to expend resources to ensure that natural assets—for example, a forest—are available for use by an individuals' descendants (i.e., bequest value). Similarly, individuals may simply value knowing that the natural asset—like that forest—exists, even if there are no plans for any current or future uses (i.e., existence value).

This important concept is described in more detail in a long footnote but the footnote does not fully support the assertion of the importance of recognizing non-use values. **The final guidance should be revised to expand the text describing "non-use value" of ecosystems and moving some of the text from the footnote to the primary text.**

7. **Clarify Accounting for Costs of Greenhouse Gas Emissions Resulting from a Rule or Project:** The section of the draft *Guidance* addressing aspects of human welfare that can be affected by changes in ecosystem services includes a discussion of "Greenhouse Gases". But this discussion is treated separately from other aspects of human welfare (e.g., presented in a box rather than as a paragraph) making the recommended treatment of costs related to greenhouse gases unclear (i.e., it is not clear whether releases of greenhouse gases as a result of a regulation or project are intended to be recognized as an aspect of human welfare. **The final guidance should clarify how greenhouse gas emissions should be accounted for in the context of other aspects of human welfare.**

For example, in the case of a proposal to build a long seawall, should the emissions associated with the concrete and steel used to build the seawall be monetized as a cost based on the established social cost of carbon or should the greenhouse gas related costs be limited to greenhouse gas releases resulting directly from a project's changes in ecosystem services (e.g., the seawall's destruction of wetlands resulting in the release sequestered "blue carbon")? Or, should both costs be considered?

In addition, the draft *Guidance* states:

> When appropriate and feasible, agencies should apply the best available estimates of the SC-GHG when valuing changes in greenhouse gas emissions resulting from ecosystem service impacts of a rule.

This sentence is confusing as it suggests that use of a social cost of carbon is discretionary and allows individual agency determination of the "best available" estimates of the social cost of carbon. **The final guidance should more specifically require that the social cost of carbon be included in the cost-benefit analysis and should require a value for the social cost of carbon that is at least equal to the most current social cost of carbon established pursuant to Executive Order 13990.**

8. **Address Time Scale and Non-Stationarity of Ecosystems:** Page 22 of the draft *Guidance* discusses the time period and the baseline to apply to analysis of costs and benefits. **This discussion is important and useful but should be improved by recognition and description of the likelihood of changes in the nature and extent of ecosystems and ecosystem services in the future as a result of a changing climate and other factors.**

   For example, the federal government has issued detailed projections of future sea level rise along the U.S. coast for specific time periods. This rising sea level will inundate coastal wetlands. Regulations or projects designed to protect or sustain coastal wetlands should recognize that the baseline for coastal wetlands is changing (e.g., as rising seas reduce the area of coastal wetlands over time, the ecosystem services from the remaining wetlands become more valuable). A short timeframe for cost-benefit analysis would tend to undervalue the benefits of a regulation or project that sustains coastal wetland ecosystem services as the area of coastal wetlands decreases.

9. **Describe Linkage to Federal Flood Risk Management Standard:** When evaluating impacts of projects on ecosystem services, agencies should coordinate their assessment with implementation of the Federal Flood Risk Management Standard (FFRMS). The FFRMS provides that agencies should avoid locating projects in flood risk areas, apply flood management practices when location in a floor risk area is unavoidable, and use a "Climate-Informed Science Approach". **The final guidance should encourage agencies to**

determine a project location under the FFRMS prior to making a significant investment in assessment of costs and benefits, including those related to ecosystem services.

The *Coastal Flood Resilience Project* is a coalition of organizations working for stronger programs to prepare for coastal storm flooding and rising sea level in the United States. The views expressed in this comment are those of the supporters listed below and do not represent the views or endorsements of their organizations.

Supporters of these comments include:

- Jay Austin; Environmental Law Institute
- Stephen Eisenman; Anthropocene Alliance
- John Englander; Rising Seas Institute
- Harriet Festing; Anthropocene Alliance
- Bethany Kraft; National Audubon Society
- Charles Lester; Director of the Ocean and Coastal Policy Center at UC Santa Barbara and former executive director of the California Coastal Commission
- Jeffrey Peterson; author of *A New Coast: Strategies for Responding to Devastating Storms and Rising Seas* and former Deputy Associate Director for Water, White House Council on Environmental Quality
- Barrett Ristroph; Anthropocene Alliance
- Susan Ruffo; United Nations Foundation and former Associate Director for Climate Preparedness and Resilience, White House Council on Environmental Quality
- Jason Scorse; Middlebury Center for the Blue Economy
- Stefanie Sketch; Surfrider Foundation
- Mary Catherine Stiff; Wetlands Watch
- Shauna Udvardy; Union of Concerned Scientists