Extrapolated Costs?

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Presentation Overview

Background

Plan

Broad **Possible Approaches**

Background

- The final RIA control scenario, which includes all known control measures, is unlikely to result in attainment of alternative ozone standards over all U.S. locations.
- In a June 2007 memo to the Administrator, SAB stated, "… there is little credibility and hence limited value to assigning costs to these unidentified measures that account for a significant share of emission reductions " and "In some cases, it may be preferable to not quantify the costs of unidentified measures and to simply report the quantity and share of emissions reductions attributed to these measures."

Plan

We believe the additional sensitivity modeling (discussed previously) will provide insights that will help us characterize the additional control needed to reach attainment. We propose to examine the results before making a decision on what methodology to employ for the cost treatment of additional control.

Broad Possible Approaches

1) Provide estimates of emission reduction needed from unknown control but not attempt to estimate a dollar cost. This approach is consistent with the recommendations in June submitted by the SAB.

Broad Possible Approaches

2) Develop marginal costs per ton estimates for both NOx and VOC control. This could be done at the national, control area, or county level. It could be used to replicate the highest cost per ton measure applied in the area under consideration or could be used to extrapolate to a higher control cost by developing marginal cost curves.

Broad Possible Approaches

3) Use a constant (or fixed) cost per ton of control at the national, control area, or county level. This could be based on average costs from the known control, some historical judgment of an upper limit of what is politically feasible, or based on the operation of emission trading markets in the South Coast District around Los Angeles and Houston. This approach is also consistent with the recommendations offered by SAB in June.

Broad Possible Approaches

4) Based on the sensitivity modeling, estimate additional known control. For example, if VOC reductions outside the phase 1 sensitivity modeling are effective in reducing ozone then we might bring in additional known controls.