Does the Social Cost of Carbon Matter?: An Assessment of U.S. Policy

Robert W. Hahn and Robert A. Ritz

Abstract We evaluate a recent U.S. initiative to include the social cost of carbon (SCC) in regulatory decisions. To our knowledge, this paper provides the first systematic test of the extent to which applying the SCC has affected national policy. We examine all economically significant federal regulations since 2008, and obtain a surprising result: Putting a value on changes in carbon dioxide emissions does not generally affect the ranking of the preferred policy compared with the status quo. Overall, we find little evidence that use of the SCC has affected U.S. policy choices to date. We offer an explanation related to the political economy of regulation.

Keywords Cost-Benefit Analysis; Social Cost of Carbon; Climate Policy; Regulatory Innovation

JEL Classifications H43 (Project Evaluation); K32 (Environmental Law); Q51 (Valuation of Environmental Effects); Q58 (Environmental Policy)

Contact robert.hahn@smithschool.ox.ac.uk; rar36@cam.ac.uk
Publication October 2013

www.eprg.group.cam.ac.uk