

## ***Charge Questions 3:***

***Assessing Intra- and Inter-  
Generational Benefits and Costs  
within a Rulemaking***

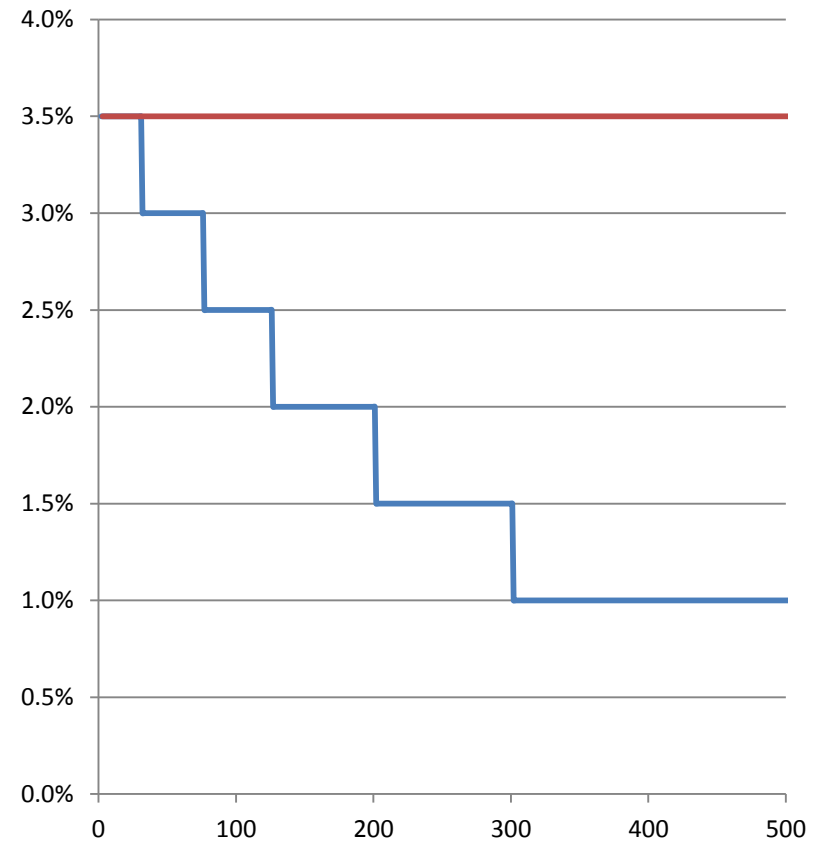
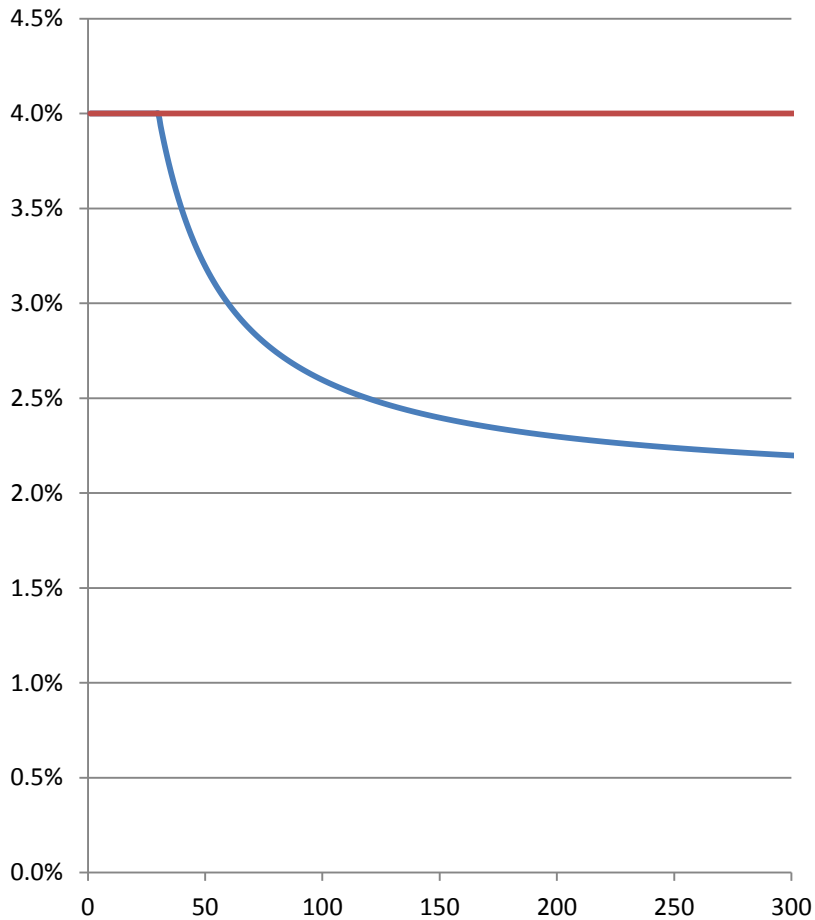
# ***Assessing Intra- and Inter-Generational Benefits and Costs within a Rulemaking***

- Concern that use of different rules for intra- and inter-generational discounting will lead to inconsistency in decision making:
- Suppose that we discount costs and benefits at 2.5% for fuel economy standards (because they reduce GHGs)
  - Part of these benefits are improved ecosystem services
- For a rule that will clean up water pollution in the Chesapeake Bay—which will improve ecosystem services over the next 25 years—we use the 3% and 7% rates specified by OMB
- PDV of ecosystem service improvements differ due to difference in discounting [“Benefits Inconsistency”]
- A second problem arises in how we would aggregate the GHG and non-GHG benefits of the fuel economy standard:
  - Typically the non-GHG benefits would be discounted using 3% and 7%. Can these values be added to the PDV of GHG reductions?

# ***Assessing Intra- and Inter-Generational Benefits and Costs within a Rulemaking***

- **Question 3:** Are the approaches to discounting over long horizons suggested above consistent with current approaches to intra-generational discounting?
- **Question 3a:** If some costs and benefits associated with a regulation apply intra-generationally and are evaluated as specified by Circular A-4, can they be added to the present value of inter-generational costs and/or benefits that apply different discount rates?

# Declining rates in France and UK



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