

New research exposes flaws in government estimate of social cost of carbon
Carbon cost recalculation reveals true value of emissions reduction investments

PORTLAND, Ore., (July 13, 2011) – The U.S. government’s estimate of the social cost of carbon – a calculation of the damage caused by each ton of carbon dioxide emitted into the atmosphere – is fundamentally flawed and grossly understates the potential impacts of climate change, according to a new report released today by the Economics for Equity and the Environment Network ([E3 Network](#)).

The peer-reviewed report, *Climate Risks and Carbon Prices: Revising the Social Cost of Carbon*, finds that the true social cost of carbon is in fact more uncertain than the government’s \$21 per ton estimate, a key policy-making factor in everything from power-plant regulations to car fuel-efficiency standards.

The entire range of new calculations arrived at in the report, reaching as high as \$893 per ton in 2010 and \$1550 in 2050, are all well above the government’s \$21 estimate, bringing into question prior analyses of the benefits of reducing emissions and potentially current thinking on what policymakers will consider cost effective.

“The government has been making decisions based on the flawed calculation that carbon dioxide emissions cost just \$21 per ton. In fact, the real cost may be up to forty times that amount,” said Dr. Elizabeth A. Stanton, economist and one of the report’s two authors.

Comparing prior research on the cost of reducing emissions with the report’s new findings on the cost of carbon, the report concludes that it is highly likely it is costing us more to do nothing about climate change than it would to adopt mitigation measures.

“Now that we know how much we could end up paying to endure the impacts of climate change, investing in reducing our emissions is clearly the prudent option,” commented report author and economist, Dr. Frank Ackerman. “It’s the difference between servicing your car, or waiting for it to break down on the highway.”

Report commissioner and E3 Network Director Kristen Sheeran said, “E3 Network commissioned this report in response to a critical mass of research by climate and economic experts, all pointing towards what we now know: that the government’s estimate of the cost of carbon was a significant underassessment. We hope that those making decisions on US climate change policy will digest this new information and alter their investment approach accordingly.”

[Read E3 Network’s full report, executive summary, peer review and other materials.](#)

In addition to E3 Network, the World Resources Institute and the Environmental Law Institute today released a related report on the social cost of carbon. [More than](#)

[Meets the Eye: The Social Cost of Carbon in U.S. Climate Policy, in Plain English](#)

examines how cost-benefit analysis often include judgment calls and assumptions that do not adequately measure the real harm inflicted from climate change.

Background:

Dr. Frank Ackerman and Dr. Elizabeth A. Stanton authored *Climate Risks and Carbon Prices: Revising the Social Cost of Carbon*, working under the umbrella of E3 Network, a national network of more than 200 economists. The report follows E3 Network's publication of an April 2010 white paper – [The Social Cost of Carbon](#) – by the same authors. Dr. Ackerman holds the position of Climate Economics Group Director and Dr. Stanton is a senior economist at the Stockholm Environment Institute's U.S. Center at Tufts University.

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