

Utility of SBREFA Panels in Benefit-Cost Regulatory Analysis

Society For Benefit-Cost Analysis Conference

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KEVIN BROMBERG

U.S. SMALL BUSINESS ADMINISTRATION

OFFICE OF ADVOCACY

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Disclaimer

The statements, findings, conclusions, and recommendations of this study are those of the author and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States Government.

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Background

- Created by Congress in 1976.
- Representing small business before Congress, the White House, and the federal agencies.
- Works with federal agencies to find alternatives to proposed rules that are disproportionately burdensome to small business.
- Mandated by Congress to research topics important to small business.
- Chief Counsel leads the independent office.

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Background

- SBREFA : Small Business Regulatory Enforcement Fairness Act of 1996
- Requires Panel of OMB, EPA and SBA Advocacy to Obtain Advice from Small Entity Representatives (SERs)
- Panel Makes Pre-Proposal Recommendations to EPA Administrator Regarding Key Regulatory Decisions

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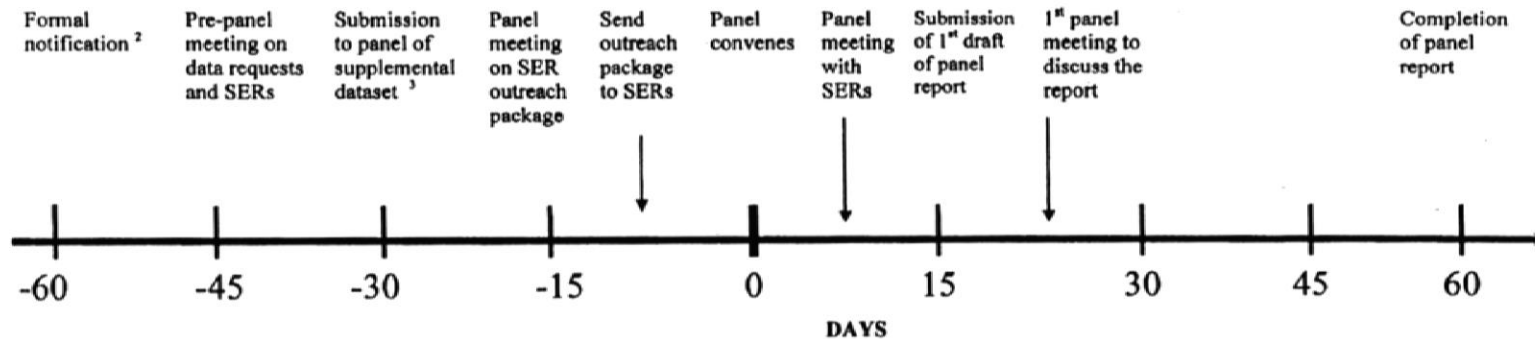
Background

- Environmental Protection Agency
58 Panels
- Occupational Safety and Health Agency
12 Panels
- Consumer Financial Protection Bureau
7 Panels

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1. The suggested timeline for the panel process can be adjusted as necessary, except that the statute requires the panel's report to be completed within 60 days of the convening of the panel, Day 0 in this chart. Generally, as much preliminary work as possible should be done before Day -60.
2. The formal notifications by the convening agency to Advocacy and OIRA should include:
 - a description of the important components of the rule;
 - a description of the problem the rule is trying to solve and of the statutory obligations underlying the rule;
 - a quantitative or, if impracticable or unreliable, a qualitative description of the potential impacts;
 - a description of the types of entities likely to be affected by the proposed rule and of any small-entity stakeholder involvement in the process to date;
 - a description of any regulatory flexibility alternatives that are or have been under consideration;
 - a list of potential small entity representatives; and
 - a list of any other important documents or information that have already been developed to support the rulemaking.
3. The supplemental dataset should include a description of regulatory flexibility alternatives, information necessary to evaluate these alternatives or any other information that is reasonable to request, and the final list of SERs whom the Small Business Advocacy Review Panel Chairperson intends to select upon convening the panel.

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Background

- Purpose of Panel is to Inform Decision makers Before Making Key Regulatory Decisions
- “Back of the Envelope” (Rough Estimate) Determinations

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Elements of Successful Panels

- Proper Small Business Regulatory Alternatives that Minimize Small Entity Impacts and Achieve Statutory Goals
- Communicating Persuasive Recommendations with Key Underlying Analyses (Including Benefit-Cost Discussion)
- Cost-Effective Process
- Robust “Back of the Envelope” Determinations

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Elements of Successful Panels

- Pre-Convening Meeting with Panel Members to Plan Panel
- Materials for Panel Must Reflect Significant Regulatory Alternatives Under Consideration and Related Impacts and Benefits

Nov. 2006 EPA RFA Manual Chapters 4 and 5

<https://www.epa.gov/sites/production/files/2015-06/documents/guidance-regflexact.pdf>

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Elements of Successful Panels

- RFA Guide
 - “[D]escribe in sufficient detail, including some analysis of the impact on small entities and environmental benefits, each significant regulatory alternative that you have identified that accomplishes the statutory mandate.”

Text from Chapter 5

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Elements of Successful Panels

- RFA Guide
 - “provide sufficient information to your small entity representatives so that they can provide you with informed feedback...”

Text from Chapter 4

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EPA Panel Implementation

- We are concerned that the materials provided to the SERs never included a full set of regulatory options and analysis. [When we reviewed the RFA Guide,] we anticipated that the SERs would see a presentation with enough information to fully ‘judge the likely impact of the rulemaking’.

Hearth, Patio and Barbecue Association Comments
September 12, 2010 on Wood Heater Panel

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EPA Panel Implementation

- 1997 Industrial Laundries Rule
- EPA solicited comment on “no regulation” option.
- In light of the industry pollution prevention program, EPA withdrew the proposal in July 1999.

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EPA Panel Implementation

- 2016 Superfund Financial Responsibility Proposal – Hardrock Mining
- SERs provided critical comments establishing that existing state and Federal requirements were effective.
- In light of the SER comments and an EPA re-evaluation of the facts, EPA made a final determination that no new requirements were needed in December 2017.

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EPA Panel Implementation

- Better Agency Analyses
- Input from SERs Provides “Real World” Perspective, Enlightened by Benefit-Cost Analyses
- Implemented Correctly, Use Agency Resources More Efficiently to Develop Better Rules

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Elements of successful panels

- Robust Materials Addressing Benefit-Cost Analyses of Key Regulatory Alternatives
- Adequate Time to Address Materials and Address Public Comments
- Identifying SERs with Appropriate Expertise and Time to Devote to SBREFA

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Elements of successful panels

- Serious Effort to Develop Panel Consensus Recommendations
- Panel Addressing SER Comments

Oil And Gas – NSPS Rule

SBREFA Panel: August 13, 2015

Final Rule: June 3, 2016

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Unit Reductions and Costs from Potential Control Options

Emissions Source	Control Options	Baseline Emissions (tons per year)		Emission Reduction (tons per year)		Natural Gas Product Recovery (Mcf/year)	Annualized Cost with Savings (2012\$)
		Methane	VOC	Methane	VOC		
Oil Well Completions	Reduced Emission Completion	9-10	8-9	9-10	7-8	800-900	\$10,000-\$15,000
	Combustion	9-10	8-9	9-10	7-8	0	\$3,000-\$4,000
Fugitive Emissions - Well Pads	OGI	1-5	0-2	0-4	0-2	30-160	\$1,500-\$2,000
Fugitive Emissions - Gathering/Boosting Stations	OGI	30-40	9-10	10-35	3-8	1,100-1,300	\$9,000-\$10,000
Fugitive Emissions - Transmission and Storage Compressor Stations	OGI	60-170	1-5	20-140	0-4	1,500-5,500	\$13,000-\$23,000
Pneumatic Pumps – Production and Processing	Route Emissions to Existing Control Device	0-4	0-1	0-4	0-1	0	\$200-\$300
	Instrument Air	0-4	0-1	0-4	0-1	0	\$800-\$8,000
Pneumatic Pumps – Transmission and Storage	Route Emissions to Existing Control Device	0-4	0-1	0-4	0-1	0	\$200-\$300
	Instrument Air	0-4	0-1	0-4	0-1	0	\$800-\$8,000
Compressors	Rod Packing Replacement	25-35	0-1	20-30	0-1	1,000-1,200	\$1,700-\$2,100
	Replace Wet Seals with Dry	100-160	3-5	100-140	3-5	5,000-6,000	(\$80,000) to (\$90,000)
	Wet Seal with Gas Recovery	100-160	3-5	100-160	3-5	5,000-6,000	\$3,000-\$5,000
	Route Emissions to Control	100-160	3-5	100-150	3-5	0	\$110,000-\$120,000
Pneumatic Controllers	Install Low- or No-bleed Controllers	3-4	0-1	2-4	0-1	140-150	\$20-\$30
	Instrument Air	3-4	0-1	3-4	0-1	140-150	\$2,000-\$20,000

Summary of the Cost of Control for the Fugitive Monitoring Options

Technical Support Document

Option	Cost of Control (without gas savings)				Cost of Control (with gas savings)			
	Single Pollutant (\$/ton)		Multi-Pollutant (\$/ton)		Single Pollutant (\$/ton)		Multi-Pollutant (\$/ton)	
	Methane	VOC	Methane	VOC	Methane	VOC	Methane	VOC
Well Sites								
Annual	\$1,224	\$4,464	\$612	\$2,232	\$993	\$3,619	\$496	\$1,810
Semiannual	\$1,415	\$5,160	\$708	\$2,580	\$1,183	\$4,314	\$592	\$2,157
Quarterly	\$1,960	\$7,145	\$980	\$3,572	\$1,728	\$6,299	\$864	\$3,150
Compressor Stations								
Annual	\$504	\$2,225	\$252	\$1,112	\$272	\$1,201	\$136	\$601
Semiannual	\$580	\$2,562	\$290	\$1,281	\$396	\$1,749	\$198	\$875
Quarterly	\$802	\$3,540	\$401	\$1,770	\$618	\$2,728	\$309	\$1,364

EPA Choice of Frequencies for Final Rule

Semiannual – Well Sites

Quarterly – Compressor Stations

Option	Cost of Control (without gas savings)				Cost of Control (with gas savings)			
	Single Pollutant (\$/ton)		Multi-Pollutant (\$/ton)		Single Pollutant (\$/ton)		Multi-Pollutant (\$/ton)	
	Methane	VOC	Methane	VOC	Methane	VOC	Methane	VOC
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Cost of Control for Centrifugal Compressor Wet Seal Emission Routed to a Combustion Device

Compressor Location	Capitol Cost (\$)		Annual Cost per Compressor (\$/compressor-year)		Cost of Control (New)		Cost of Control (Existing)	
	New	Existing	New	Existing	Methane	VOC	Methane	VOC
Single-Pollutant Method								
Transmission	\$71,783	\$23,525	\$114,146	\$3,311	\$767	\$27,705	\$22	\$804
Storage	\$71,783	\$23,525	\$114,146	\$3,311	\$1,028	\$37,105	\$30	\$1,076
Multi-Pollutant Method								
Transmission	\$71,783	\$23,525	\$114,146	\$3,311	\$384	\$13,853	\$11	\$402
Storage	\$71,783	\$23,525	\$114,146	\$3,311	\$514	18,553	\$15	\$538

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EPA Selection for Final Rule

Control of Transmission and Storage Required

**Cost Effective Measure - \$1000/ Ton Methane
Reduced**

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Kevin Bromberg
Assistant Chief Counsel for
Environmental Policy
SBA Office of Advocacy

Kevin.bromberg@sba.gov
P. 202.205.6964

www.sba.gov/advocacy website

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