



June 13, 2011

BY ELECTRONIC MAIL

The Honorable Lisa P. Jackson  
Administrator  
U.S. Environmental Protection Agency

The Honorable Cass R. Sunstein  
Administrator  
Office of Information and Regulatory Affairs  
Office of Management and Budget

**RE: SBAR Panel – Convening of Panel on “Greenhouse Gas New Source Performance Standard for Electric Utility Steam Generating Units.”**

Dear Administrators Jackson and Sunstein:

On June 9, 2011, EPA convened a Small Business Advocacy Review (SBAR) panel on its upcoming rulemaking, “Greenhouse Gas (GHG) New Source Performance Standard (NSPS) for Electric Utility Steam Generating Units (EGUs).” The Office of Advocacy (Advocacy) does not agree that this panel should have convened at this time. We believe that EPA is not yet ready for this panel, since it has not provided the other panel members with information on the potential impacts of this rule and has not provided small entity representatives (SERs) with sufficient information upon which to discuss alternatives and provide recommendations to EPA. It is Advocacy’s position that EPA is not in compliance with the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) due to the lack of information provided and that a panel conducted under these circumstances is unlikely to succeed at identifying reasonable regulatory alternatives, as required by the Regulatory Flexibility Act (RFA).

Advocacy does not challenge EPA’s authority to implement controls of GHG emissions under the Clean Air Act through this rulemaking; to the contrary, we believe EPA has significant authority and discretion in this area. It is this broad discretion that leads Advocacy to believe that SERs have not been provided enough information to project how EPA will structure this regulation or establish the relevant standards. In the absence of information sufficient for SERs to appreciate the impact of the proposed rule and to identify regulatory options that would fulfill EPA’s statutory objectives, Advocacy believes that convening this panel is premature. The benefits of the SBAR panel will not be realized if the stakeholders are not presented and equipped with alternative regulatory options.

## The Office of Advocacy

Congress established the Office of Advocacy under Pub. L. No. 94-305 to advocate the views of small entities before Federal agencies and Congress. Because Advocacy is an independent body within the U.S. Small Business Administration (SBA), the views expressed by Advocacy do not necessarily reflect the position of the Administration or the SBA.<sup>1</sup> The RFA,<sup>2</sup> as amended by SBREFA,<sup>3</sup> gives small entities a voice in the federal rulemaking process. For all rules that are expected to have a “significant economic impact on a substantial number of small entities,”<sup>4</sup> EPA is required by the RFA to conduct a SBAR Panel to assess the impact of the proposed rule on small entities,<sup>5</sup> and to consider less burdensome alternatives. Moreover, federal agencies must give every appropriate consideration to any comments on a proposed or final rule submitted by Advocacy and must include, in any explanation or discussion accompanying publication in the Federal Register of a final rule, the agency’s response to any written comments submitted by Advocacy on the proposed rule.<sup>6</sup>

## Background

Since the passage of SBREFA in 1996, EPA has been a “covered agency” under section 609 of the RFA. In that time, EPA, OMB, and SBA have jointly conducted almost 40 panels. EPA has also published valuable guidance to its program offices on compliance with the RFA, including the conduct of SBAR panels.<sup>7</sup>

SBAR panels give Small Entity Representatives (SERs) an opportunity to understand a covered agency’s upcoming proposed rule and provide meaningful recommendations to aid in the agency’s compliance with the RFA. The process starts with the covered agency notifying Advocacy with “information on the potential impacts of the proposed rule on small entities and the type of small entities that might be affected[.]”<sup>8</sup> Upon convening of the panel, the RFA states that “the panel shall review any material the agency has prepared in connection with this chapter, including any draft proposed rule, collect advice and recommendations of each individual small entity representative identified by the agency after consultation with the Chief Counsel, on issues related to subsections 603(b), paragraphs (3), (4) and (5) and 603(c)[.]”<sup>9</sup>

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<sup>1</sup> 15 U.S.C. § 634a, *et. seq.*

<sup>2</sup> 5 U.S.C. § 601, *et. seq.*

<sup>3</sup> Pub. L. 104-121, Title II, 110 Stat. 857 (1996)(codified in various sections of 5 U.S.C. § 601, *et. seq.*).

<sup>4</sup> *See* 5 U.S.C. § 609(a), (b).

<sup>5</sup> Under the RFA, small entities are defined as (1) a “small business” under section 3 of the Small Business Act and under size standards issued by the SBA in 13 C.F.R. § 121.201, or (2) a “small organization” that is a not-for-profit enterprise which is independently owned and operated and is not dominant in its field, or (3) a “small governmental jurisdiction” that is the government of a city, county, town, township, village, school district or special district with a population of less than 50,000 persons. 5 U.S.C. § 601.

<sup>6</sup> 5 U.S.C. § 604, *as amended by the* Small Business Jobs Act of 2010, Pub. Law No. 111-240, Sec. 1601.

<sup>7</sup> *Final Guidance for EPA Rulewriters: Regulatory Flexibility Act as amended by the Small Business Regulatory Enforcement Fairness Act*, OPEI Regulatory Development Series, U.S. EPA, November 2006.

<sup>8</sup> § 609(b)(1).

<sup>9</sup> § 609(b)(4). Section 603(b), paragraphs (3), (4), and (5) read:

“(3) a description of and, where feasible, an estimate of the number of small entities to which the proposed rule will apply;

Advocacy believes that these requirements, read together and in the context of activity to be conducted prior to proposed rulemaking, require the agency to provide sufficient information to the SERs so that they can understand the likely form of the upcoming rulemaking, evaluate its potential economic impacts, and recommend alternative regulatory options that would minimize any significant economic impact while preserving the agency's regulatory objectives. Advocacy also believes that the statute clearly intends that the agency provide deliberative information as part of this process.

## **SBAR Panel**

Advocacy received formal notification of EPA's intent to convene this panel at the end of March, and EPA convened the panel on June 9th. Draft outreach materials provided to Advocacy and OIRA for review since March and the outreach materials provided to the SERs on June 10th do not describe potential economic impacts or regulatory alternatives under development. The description of the proposed rule is a discussion of EPA's statutory obligation. In place of regulatory alternatives identified by the agency, these materials merely present regulatory options proposed by outside parties at listening sessions held separately by EPA during February. The outreach materials also present a spectrum of technologies that could be required by the proposed rule, based on work developed for separate section of the Clean Air Act, without any indication of which technologies could be required by an NSPS.

EPA has broad discretion to design a regulatory program to regulate GHGs under section 111 of the Clean Air Act. Advocacy believes that SERs have not been provided enough information to project how EPA will structure this regulation or establish the relevant standards. In the absence of information, SERs will be unable to understand potential impacts of the rulemaking and make recommendations about regulatory alternatives that would minimize the impacts on small entities while fulfilling EPA's goals. For this reason, Advocacy believes that convening this panel is premature, and that EPA should delay this panel until it has a clearer set of available regulatory alternatives and potential impacts available for discussion by the panel members and the SERs.

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“(4) a description of the projected reporting, recordkeeping and other compliance requirements of the proposed rule, including an estimate of the classes of small entities which will be subject to the requirement and the type of professional skills necessary for preparation of the report or record;

“(5) an identification, to the extent practicable, of all relevant Federal rules which may duplicate, overlap or conflict with the proposed rule.”

Section 603(c) reads:

“(c) Each initial regulatory flexibility analysis shall also contain a description of any significant alternatives to the proposed rule which accomplish the stated objectives of applicable statutes and which minimize any significant economic impact of the proposed rule on small entities. Consistent with the stated objectives of applicable statutes, the analysis shall discuss significant alternatives such as –

“(1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities;

“(2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities;

“(3) the use of performance rather than design standards; and

“(4) an exemption from coverage of the rule, or any part thereof, for such small entities.”

## **Conclusion**

Advocacy states its objection to the convening of this panel because we believe EPA is not providing sufficient information to the SERs. As a result, the SBAR panels will likely be unable to identify specific regulatory alternatives that would "accomplish the stated objectives of applicable statutes and which minimize any significant economic impact of the proposed rule on small entities." We believe input from small entities will be valuable in this important rulemaking, and we want to ensure SERs on this SBAR panel are able to contribute effectively to this process.

I look forward to working with you to make sure the voice of small business is heard and considered. When done well, the SBAR panel process is an important channel for that voice, and it works to the benefit of all stakeholders.

Sincerely,

/s/

Winslow Sargeant, Ph.D  
Chief Counsel for Advocacy

cc: Small Entity Representatives participating in the SBAR Panel on EGU GHG NSPS.