

The burden of faulty science

As a producer, transporter and marketer of more than 49 million gallons of petroleum products a day throughout the U.S., Mobil works hard to prevent pollution. We set high standards and regularly assess our environmental performance. We have to.

Does that mean we'll never have an accident? Probably not because, despite our best intentions, the risk can never be completely eliminated. And, regrettably, an accident might occur that would cause some damage to a beach, a river, or some other natural resource area.

If that were to happen, there are regulations in place that would achieve prompt, cost-effective restoration of those natural resources and adequately compensate the people directly affected for any losses. Here's how it works. If Mobil were liable for an accident, we would clean it up promptly, and pay all appropriate costs related to the accident. Moreover, any parties that suffered actual damages as a result of the accident would have remedies under various statutes by which they could claim reimbursement for their losses. All that seems fair enough, and we accept it as part of our environmental covenant.

Now, however, federal regulations are being developed that would assess and assign damages not just for those who were directly affected, but for anyone else who might wish to say they've been affected as well—regardless of whether they ever used the natural resource in question and regardless of whether they ever had any intention of doing so. The proposed regulations call these "lost non-use value" damages.

It would be a little like having a taxi in New York be damaged in an accident and allowing someone from Chicago to seek damages. The "lost non-use value" theory assumes that the Chicagoan won't be able to use the damaged New York taxi—regardless of whether or not there was any intention of going there.

And if you think it can't get any worse than that, think again. The regulations propose that these "lost non-use value" damages would be determined by opinion survey—an unreliable, nonscientific technique called contingent valuation (CV). Pollsters ask people to speculate on what it would be worth to them hypothetically to preserve or protect a particular resource. The average response is then multiplied over a "relevant" population to calculate the ultimate liability.

Not that any U.S. individual would see a dollar of that amount—nor would any money necessarily go to the resource in question. Instead, the money would be sucked into a vaguely defined government trust fund to be doled out according to whatever the bureaucrats in charge deem to be appropriately in need.

With a system available to provide for restoration and actual damages, it hardly seems sensible to propose a costly new layer of regulatory excess based on hypothetical values, the money from which would be turned over to a government where waste has become a way of life. It's something that shouldn't happen—particularly in a country trying to keep its economy moving in a highly competitive global market.

And, we're not alone in thinking so. The Economist magazine, for example, summed up its attitude toward this particular regulatory proposal succinctly: "Fairy-tale mathematics that makes the costs of doing business incalculable and uninsurable will benefit nobody at all."

This is the eighth of nine messages in this series. If you would like copies of the entire series, please call 1-800-481-1919.

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