



Regulation Review

Regulation Review: EPA Formaldehyde Standards

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The Environmental Protection Agency (EPA) recently released a pair of proposed rules that would implement the Formaldehyde Standards for Composite Wood Products Act. The rules have been under review at the Office of Information and Regulatory Affairs (OIRA) for more than a year now. One [proposal](#) sets the emissions standards for certain wood-processing facilities, and the second [proposal](#) establishes the procedures for “Third-Party Certifiers” (TPCs). Combined, the pre-publication versions of the rules are 272 pages.

The first proposal largely regulates a specific set of wood products. These include products that involve lamination, the addition of resins, and the combination of various types of wood. The regulation provides standards regarding the manufacturing process, through post-production distribution, and storage procedures.

The second proposal establishes the framework for TPCs. It is a multi-tiered process. TPCs actually have to first seek credentials from an “EPA-recognized accreditation body.” The proposal defines an acceptable TPC and a proper accreditation body.

Breakdown:

Compliance Costs: \$512.1 million

Annual Paperwork Burden: 7.9 million hours

Analysis:

The wood products rule governs an entire industry while the other imposes modest costs on a handful of entities. The TPC rule costs roughly \$100,000 and imposes 1,400 hours of paperwork. The vast majority of burdens come from the wood products rule. In fact, the proposal’s \$512 million in costs make it the 4th most expensive EPA rule in 2013. At nearly

8 million hours of paperwork, it is easily the most burdensome EPA rule of the year and the 4th most among all agencies.

While the level of costs is high, the rule's balance in quantified costs and benefits is even more disconcerting. As EPA explains, its preferred option potentially brings \$79+B million in *net* annualized costs, with "B" representing "qualitative benefits." All of the options EPA considered produce net costs, with the highest at \$302+B million per year. This cost-benefit calculus is perhaps one reason the regulations remained at OIRA for more than a year.

The agency claims this balance "might change if EPA could quantify additional health benefits." They seem satisfied enough with this supposition to declare that they have "made a reasoned determination that the benefits of the proposal justify its costs."

In an effort to better estimate the cost-benefit balance, EPA is soliciting input through a series of explicit questions. There are 37 sub-questions categorized under 15 "topics." Interested parties will have the opportunity to comment on the proposals for 60 days after their official publication in the Federal Register.