

Appendix A. Analysis Request Letter

United States Senate
WASHINGTON, DC 20510

September 27, 2006

The Honorable Guy F. Caruso
Administrator
Energy Information Administration
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Caruso:

Over the past 18 months the Energy Information Administration (EIA) has completed two reports analyzing variations of a greenhouse gas emission trading system as proposed by the National Commission on Energy Policy (NCEP). The first, completed in April 2005, examined NCEP's original proposal, while the second report, undertaken at the request of Senator Salazar and released in March 2006, built on EIA's previous work and analyzed a range of greenhouse gas intensity targets and safety valve levels for an emission trading system.

Both of these studies have proven extremely valuable to us and other members of the Senate as we continue to explore options for addressing global climate change. Over the past year, the Senate Committee on Energy and Natural Resources has held hearings and convened a day-long Climate Conference to examine the approaches analyzed by EIA in more detail. In order to continue this process, Senator Bingaman has drafted a proposal in consultation with other Congressional offices and interested stakeholders. We are requesting EIA analyze this proposal.

Two variants of this proposal should be included in the analysis. The first scenario should assume that no allowances are allocated freely so that we can have an understanding of the cost impacts experienced throughout the economy. The second scenario should assume that allowances are allocated as specified in the draft proposal.

The analysis should use the AEO 2006 reference case (the same reference case used for the March 2006 report) for its "business-as-usual" case. We also ask that you provide us with a short memo that compares the results of the original NCEP proposal as modeled in the March 2006 report ("cap_trade_1") with the results of this scenario.

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Thank you for assistance with this report. In order to obtain an analysis that will fulfill our needs, we would like to request you meet with Jonathan Black in Senator Bingaman's office.

Sincerely,












