

Appendix A

**Letters from the Subcommittee on National Economic Growth,
Natural Resources, and Regulatory Affairs**

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ONE HUNDRED SIXTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

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June 29, 2000

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BY FACSIMILE

The Honorable Larry Pettis
Acting Administrator
Energy Information Administration
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Mr. Pettis:

I am writing to request that the Energy Information Administration (EIA) analyze the potential costs of various "multi-pollutant" strategies to reduce air emissions from electric power plants.

Many "stakeholders" in the debates over New Source Review reform and Clean Air Act reauthorization advocate "integrated, market-based, multi-pollutant" strategies to reduce air emissions from electric power generation. Utilities and environmental activists alike argue that the current approach, which imposes numerous, uncoordinated, pollutant-by-pollutant requirements, is costly, rife with litigation, and fraught with compliance delays. Utilities in particular complain that the resulting lack of "regulatory certainty" discourages long-term planning, investment, and innovation, shortchanging both consumers and the environment. Proponents of multi-pollutant strategies typically advocate emission caps for nitrogen oxides (NO_x), sulfur dioxide (SO₂), mercury, and carbon dioxide (CO₂), with emissions banking, trading, and credit for early reductions to provide flexibility and lower costs.

I have two concerns about the proposed multi-pollutant strategies. First, flexibility is purchased at the price of extending the Environmental Protection Agency's (EPA's) regulatory web to encompass CO₂. I believe this would set a dangerous precedent, because CO₂ is the most ubiquitous byproduct of industrial society. The power to control CO₂ emissions is potentially the power to eliminate coal as a fuel source, restructure the electric power industry by political fiat, and regulate vast numbers of small- and mid-sized users of fossil fuels.

Second, the proposed emission reductions are very steep. Under one such proposal, for example, electric utilities would be required to reduce NO_x and SO₂ emissions 75 percent below

1997 levels, reduce mercury emissions 90 percent below 1997 levels, and reduce CO₂ emissions to 1990 levels – all by 2005. Another proposal would require comparable reductions and, in addition, phase in a 10 percent renewable energy portfolio standard (RPS) by 2010 and a 20 percent RPS by 2020. By way of comparison, the Clinton-Gore Administration's "Comprehensive Electricity Competition Act" (CECA) would phase in a 7.5 percent RPS by 2010. In short, multi-pollutant strategies may prove to be quite costly, notwithstanding their utilization of emissions trading.

Therefore, pursuant to the Constitution and Rules X and XI of the United States House of Representatives, I request that EIA analyze the cost implications – the likely impacts on both consumers and energy markets – of the following multi-pollutant emission control scenarios for power plants. Please provide results through 2020, in periods of five years or less, using EIA's latest Annual Energy Outlook as the baseline.

Scenario 1a: Assume a starting date of 2001. By 2005, reduce NO_x and SO₂ emissions 75 percent below 1997 levels, reduce mercury emissions 90 percent below 1997 levels, and reduce CO₂ emissions to 1990 levels.

Scenario 1b: In addition to Scenario 1a, phase in a 5 percent RPS by 2005, a 10 percent RPS by 2010, and a 20 percent RPS by 2020.

Scenario 1c: In addition to Scenario 1a, reduce CO₂ emissions 7 percent below 1990 levels by 2008-2012.

Scenario 1d: In addition to Scenario 1b, reduce CO₂ emissions 7 percent below 1990 levels by 2008-2012.

Scenario 2a: Assume a starting date of 2001. By 2008, reduce NO_x and SO₂ emissions 75 percent below 1997 levels, reduce mercury emissions 90 percent below 1997 levels, and reduce CO₂ emissions to 1990 levels.

Scenario 2b: In addition to Scenario 2a, phase in a 5 percent RPS by 2005, a 10 percent RPS by 2010, and a 20 percent RPS by 2020.

Scenario 2c: In addition to Scenario 2a, reduce CO₂ emissions 7 percent below 1990 levels by 2008-2012.

Scenario 2d: In addition to Scenario 2b, reduce CO₂ emissions 7 percent below 1990 levels by 2008-2012.

For Scenarios 1d and 2d, please estimate the individual impacts of each provision as well as the combined impacts of all provisions. For example, to what extent would meeting the CO₂ targets achieve the other requirements, including the RPS? I am aware that the mercury

provisions will be difficult to analyze due to limitations in the available data. However, if EIA is unable to model the mercury provisions directly, perhaps EIA would be able to infer the costs of mercury reductions from the projected impacts of other provisions on mercury emissions.

Please deliver your analysis to the Subcommittee majority staff in B-377 Rayburn House Office Building and the minority staff in B-350A Rayburn House Office Building by October 1, 2000. If EIA is unable to analyze the costs of the mercury provisions by October 1st, then please prepare a follow-up paper analyzing those costs – both individually and in combination with the other proposed emission control requirements – as soon as possible after October 1st.

If you have any questions about this request, please call Subcommittee Staff Director Marlo Lewis at 225-1962. Thank you for your attention to this request.

Sincerely,



David M. McIntosh

Chairman

Subcommittee on National Economic Growth
Natural Resources, and Regulatory Affairs

cc: The Honorable Dan Burton
The Honorable Dennis Kucinich

DAN BURTON, INDIANA,
CHAIRMAN

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BERNARD SANDERS, VERMONT
INDEPENDENT

August 17, 2000

BY FACSIMILE

The Honorable Larry Pettis
Acting Administrator
Energy Information Administration
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Mr. Pettis:

This letter is in the nature of a clarification. On June 29, 2000, Subcommittee Chairman David McIntosh requested that the Energy Information Administration (EIA) analyze the potential costs of various "multi-pollutant" strategies to reduce air emissions from electric power plants. All modeling exercises depend upon assumptions. In its analysis, EIA may find that "multi-pollutant" strategies, especially emission controls for carbon dioxide (CO₂), are so expensive as to encourage new investment in nuclear power. If so, EIA will need to make one of two assumptions: Either (1) the nuclear option is limited to life extension of existing nuclear units, or (2) it also includes construction of new units.

EIA should use assumption (1). Although the proposed "multi-pollutant" strategies may be costly enough to make construction of new nuclear capacity attractive from a strictly economic point of view, public opinion and other political factors are likely to preclude such construction in the foreseeable future. For example, utilities will be disinclined to invest in new nuclear units as long as substantial numbers of policymakers and citizens oppose the transport and remote disposal of spent nuclear fuel.

In addition, some of the leading advocates of CO₂ emission reductions are staunch opponents of nuclear power. For example, in *Earth in the Balance*, Vice President Al Gore, citing safety concerns regarding both reactors and nuclear waste, asserts: "It is a mistake, therefore, to argue that nuclear power holds the key to solving global warming." In Mr. Gore's view, "the present generation of nuclear technology ... seems now rather obviously at a technological dead end," and, consequently, "the proportion of world energy use that could practically be derived from nuclear power is fairly small and is likely to remain so" (p. 328).

Presumably, most supporters of "multi-pollutant" strategies within the environmental community are of the same mind.

In summary, EIA should assume that the nuclear option will be limited to life extension of existing nuclear plants, if they are economically viable. If you have any questions about this letter, please contact me at 225-1962.

Sincerely,



Mario Lewis, Jr.
Staff Director
Subcommittee on National Economic Growth,
Natural Resources, and Regulatory Affairs

cc: Mr. Kevin Binger
Mr. Phil Schiliro

