Appendix A

Letter from the U.S. Senate Committee on Environment and Public Works

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May 17, 2001

Lawrence Pettis
Acting Administrator Energy Information Administration
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Acting Administrator Pettis:

We are writing to request that the Energy Information Administration (EIA) analyze the potential costs and benefits of different approaches to multi-pollutant strategies that reduce air pollutants from the nation's electric power plants. In particular, we seek to understand the complementary role of technology and market-based programs as they might lower costs and increase the benefits associated with multi-pollutant strategies. A similar request is being forwarded to the Environmental Protection Agency (EPA). It is our understanding that EIA has the ability to conduct such analysis, including the use of both electricity sector and economy-wide energy models. Such an analysis, utilizing both sectoral and all-economy models, will help inform the Members of Congress about the full costs and benefits of reducing the nation's air pollutants.

We have two primary concerns in making this request, both stemming from the December 2000 release of an EIA report, *Analysis of Strategies for Reducing Multiple Emissions from Power Plants: Sulfur Dioxide, Nitrogen Oxides, and Carbon Dioxide* (SR/OIAF/2000-05). First, EIA's analysis appears to unnecessarily limit the market and technology opportunities that might significantly affect the costs and benefits of emission reductions. In particular, the potential contributions of demand-side efficiency, gas-fired cogeneration and of renewable energy sources appear to be inadequately represented in the analysis, and the learning curve, economy of scale, and other effects of accelerated penetration of these options on their costs and performance appear to be inadequately treated. Moreover, the report did not reflect any of the health or environmental benefits associated with emission reductions.

Second, just prior to the release of the December report, a new assessment by the Department of Energy's national laboratories was completed that describes a broad number of technology and market-based opportunities that might positively affect almost any multi-pollutant strategy. The report by the national laboratories, *Scenarios for a Clean Energy Future*, was released in November 2000. Unfortunately, the findings of the national laboratories were not included in any aspect of the December study. With these important omissions in the report, we believe it would be appropriate to reconsider the analysis with a more complete and updated assessment.

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We therefore request that EIA analyze the cost and benefits, including all sectors of the economy and impacts on both the supply and demand side of the equation, of the following multi-pollutant emission control scenarios for the nation's electricity generators. Where feasible, this should include power plants both within the conventionally defined electric utility sector as well as electricity generated by industrial cogenerators and other independent power producers. To the maximum extent possible, we ask that you coordinate your efforts with EPA so that we might obtain maximum benefit of this review. Please provide results through 2020, in periods of five years or less, using the EIA's Annual Energy Outlook 2001 (AEO2001) as the baseline.

- Scenario A: Assume standard technology characteristics as defined in AEO2001. Further assume a start date of 2002. By 2007 reduce NO_x emissions 75 percent below 1997 levels, reduce SO_2 emissions to 75 percent below full implementation of the Phase II requirements under title IV, reduce mercury emissions 90 percent below 1999 levels, and reduce CO_2 emissions to 1990 levels.

- Scenario B: Continuing a 2002 start date, but assuming the advanced technology assumptions of both the supply and demand-side perspectives that are referenced in AEO2001, by 2007 reduce NO_x emissions 75 percent below 1997 levels, reduce SO_2 emissions to 75 percent below full implementation of the Phase II requirements under title IV, reduce mercury emissions 90 percent below 1999 levels, and reduce CO_2 emissions to 1990 levels.

- Scenario C: Continuing a 2002 start date, but assuming the moderate supply and demand-side policy scenario of the Clean Energy Futures study, by 2007 reduce NO_x emissions 75 percent below 1997 levels, reduce SO_2 emissions to 75 percent below full implementation of the Phase II requirements under title IV, reduce mercury emissions 90 percent below 1999 levels, and reduce CO_2 emissions to 1990 levels.

- Scenario D: Continuing a 2002 start date, but assuming the advanced supply and demand-side policy scenario of the Clean Energy Futures study, by 2007 reduce NO_x emissions 75 percent below 1997 levels, reduce SO_2 emissions to 75 percent below full implementation of the Phase II requirements under title IV, reduce mercury emissions 90 percent below 1999 levels, and reduce CO_2 emissions to 1990 levels.

In comparing scenarios A to D, the impact of the expanded methodology of this exercise relative to the previous EIA work on multi-pollutant effects should be clarified.

Given that the Senate will be debating national energy policy legislation in the coming months, including issues impacting air quality, we ask that the requested information be made available by July 1, 2001. In addition, we request a briefing of your results prior to the release of any written report. If you have any questions about this request, please call Kathryn Parker with Senator Jeffords at 224-3977 or Tim Profeta with Senator Lieberman at 224-5016. Thank you for your attention to this request.

Sincerely,

Senator James M. Jeffords

Senator Joseph I. Lieberman