## Appendix A

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

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# United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

WASHINGTON, DC 20510-6175

June 8, 2001

Mr. John Weiner
Director, National Energy Information Center
Energy Information Administration (EIA), EI 30
1100 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Weiner:

We have read with interest the letter sent to you by Senator Jeffords and Senator Lieberman requesting additional analysis regarding the potential costs and cost efficiencies associated with an integrated, multi-emission control strategy for the nation's electricity sector. We agree that more analysis is needed, and we would expect you will be fully responsive to the request of our colleagues. At the same time, it seems that we need analysis of more viable policy options than is currently available, or would be reflected by your response to our colleagues' request.

Accordingly, we request that the Environmental Protection Agency (EPA) and the Energy Information Administration (EIA) analyze the scenarios described below as well as those requested by our colleagues. We believe that the pending debate in the Senate regarding this issue will be better served if we have an analysis covering a range of policy options. Only then will we be able to ensure that legislation amending the Clean Air Act (CAA) meets the multiple goals of 1) enabling the expansion of the electricity supply, 2) correcting the current over-reliance on natural gas as the fuel source for new electricity generation, 3) providing substantial regulatory relief from the requirements of the CAA, 4) ensuring that compliance costs are far below those anticipated from compliance with the current requirements of the CAA, and 5) achieving significant reductions of emissions from power plants.

We believe that the scenarios proposed by our colleagues, like those analyzed previously by EIA, do not reflect the best thinking about the potential to balance emission reductions with market flexibility and regulatory relief. Furthermore, the pending request to examine reduction of CO2 to 1990 levels by 2007 will be largely redundant of previous EIA analysis. It seems obvious that such a policy would almost certainly result in abrupt and costly fuel switching. Also, it would be inconsistent with the President's stated goal of pursuing "innovative options for addressing concentrations of greenhouse gasses in the atmosphere". We believe the below scenarios would meet the President's desire to rely on technology development, market incentives and other creative means to address global climate change.

Each of the below scenarios would allow banking of emission allowances to begin in 2002 with the first half of the reduction required by 2007 and compliance with the full reduction by 2012. Full trading of NOx and SO2 should be assumed in a manner consistent with SO2 trading in Title IV of the CAA. Half of the mercury reductions should be assumed to be available for trading, with half of the reductions required in each compliance period to be actual reductions made by each facility. Beyond the requirements of the listed scenarios, the analysis should assume no additional federal requirements to reduce emissions from the analyzed facilities.

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Scenario 1) Reduce NOx emissions by 75 percent below 1997 levels, SO2 emissions 75 percent below full implementation of Title IV of the CAA, mercury emissions by 75 percent below 1999 levels.

Scenario 2) Reduce NOx emissions by 65 percent below 1997 levels, SO2 emissions 65 percent below full implementation of Title IV of the CAA, mercury emissions by 65 percent below 1999 levels.

Scenario 3) Reduce NOx emissions by 50 percent below 1997 levels, SO2 emissions 50 percent below full implementation of Title IV of the CAA, mercury emissions by 50 percent below 1999 levels.

Carbon Dioxide

We do not support the strict regulation of CO2 emissions from power plants. We also agree with the President that Global Climate Change needs to be addressed, and we believe that a flexible plan, consistent with the President's direction, could be incorporated into a multi-emission bill. Accordingly, in addition to analyzing the above scenarios as described, each should be analyzed with the following CO2 requirement. Use EIA estimates for anticipated 2008 CO2 emission levels from the electricity sector. Assume emissions increases of CO2 after 2008 must be offset by reductions or sinks in any sector of any greenhouse gas in an amount equal to the warming potential of the emissions to be offset. Assume that verifiable reductions or sinks achieved in any nation could be available on the domestic emissions market to satisfy this requirement.

We would like this work to be conducted in a timeframe consistent with the analysis requested by Senator Jeffords and Senator Lieberman. This will enable us to debate any multi-emission strategy with a more robust understanding of the potential implications of various policy decisions. If you have any questions regarding this request, please contact Chris Hessler with Senator Smith at 224-9134 or Andrew Wheeler with Senator Voinovich at 224-0146. Thank you in advance for your cooperation.

Sincerely yours,

Bob Smith

Senator Bob Smith
Ranking Republican Member, Environment and Public Works Committee

George V. Voinovich

Senator George Voinovich
Ranking Republican Member, Subcommittee on Clean Air, Wetlands, Private Property, and Nuclear Safety

Sam Brownback

Senator Sam Brownback