

Appendix B. Follow-Up Letter

JEFF BINGAMAN, New Mexico, Chairman

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United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

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October 25, 2007

Dr. Howard K. Gruenspecht
Deputy Administrator
Energy Information Administration
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Dr. Gruenspecht:

In a letter dated August 1, 2007, Senators Bingaman Specter requested that the Energy Information Administration (EIA) estimate the economic impacts of the "Low Carbon Economy Act" of 2007 (S.1766), which was introduced on July 11th.

In response to our letter request, we have been asked by EIA staff to provide guidance on specific aspects of the analysis. It is our understanding that in order for the EIA analysts to complete our request, some additional guidance is required to formulate assumptions for input into the NEMS model. In accordance with your staff's request, we are submitting this letter. As regards specific assumptions, we recommend the following:

1. Renewable Fuel Standard: Because the renewable fuel standard will considerably lengthen the time needed for the analysis, we ask that you not include it in the analysis as originally requested.
2. CAFE: We hope to improve our understand of the interaction of an emission trading program and higher CAFE standards. While we understand that you are not able at this time to model an attribute-based CAFE standard, we ask that you model the fuel economy improvements outlined in the original request letter.
3. Offsets: For the core scenarios, please assume that the only offset projects that are eligible to receive credits are those that are listed in Section 303 of the legislation. In these scenarios, treat biogenic carbon sequestration as an allowance set-aside, as these reductions are over and above reductions needed to meet the cap. This treatment is consistent with EIA's January 2007 analysis titled "Energy Market and Economic Impacts of a Proposal to Reduce Greenhouse Gas Intensity with a Cap and Trade System." We understand that EIA has updated its offset cost curves, including the economic assumptions regarding biogenic sequestration, and will use the updated economic assumptions for this analysis.

4. Bonus Allowances for Carbon Capture and Storage: We ask that you model an additional sensitivity scenario that awards bonus allowances at half of the rate stated in Section 207 of the legislation.

Please do not hesitate to contact me if there are any questions on this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Black". The signature is stylized with a large, looping initial "J" and a long, sweeping underline that extends to the left and then loops back under the name.

Jonathan Black