

Appendix A

Request Letters and Other Correspondence

Original Request Letter from Senator James M. Inhofe

1/2003 19:09 FAX

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United States Senate

WASHINGTON, DC 20510-3603

COMMITTEES:
ARMED SERVICES
ENVIRONMENT AND
PUBLIC WORKS
INDIAN AFFAIRS
INTELLIGENCE

January 28, 2003

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

Dear Mr. Administrator:

I hereby request that the Energy Information Administration (EIA) analyze the Climate Stewardship Act of 2003 (S. 139), recently introduced by Senators Lieberman and McCain.

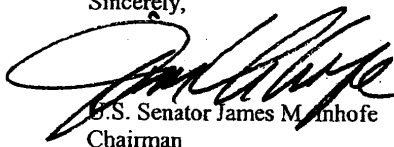
This bill would require significant reductions in emissions of the six gases identified in the Kyoto Protocol. The electricity, transportation, industrial and commercial sectors of the economy would be impacted.

I am particularly interested in the following EIA analyses, all of which should include measurability of the effect, margin of error of the calculation, factors included in the calculation, and relative certainty of the range of projections:

1. Effect on global temperature;
2. Using the assumptions of Dr. James Hansen's citation in *Proceedings of the National Academy of Sciences of the United States of America*, June 16, 2000, of Malakoff, D. (1997) *Science* 278, 2048, and Wigley, T. M. L. (1998) *Geophys. Res. Lett.* 25, 2285-2288, the number of S. 139-equivalent programs that would be needed to reduce theoretical projections of temperature increase to acceptable levels;
3. Cost of the growth of government entailed;
4. Cost to the U.S. economy both in terms of jobs and dollars;
5. Demographic spread of economic costs, with attention to income level and minority status;
6. Comparison of the compliance period of S. 139 to the specific scheduled commitments currently adopted by China, Mexico, South Korea, India, and Brazil to limit or reduce emissions of the Kyoto Protocol gases;
7. Energy suppression effects;
8. Comparison, in terms of both effects and costs, of the efficiency of S. 139's regulatory mechanisms to the efficiency of a BTU tax mechanism.

Any further details of the analysis can be addressed with Aloysius Hogan at 202-224-3107. I would appreciate it if you would comply with this request by Friday, April 4, 2003. Thank you in advance for your cooperation. I believe such EIA analysis will be essential to ensuring an informed debate on this issue.

Sincerely,



U.S. Senator James M. Inhofe
Chairman

Committee on Environment and Public Works

PRINTED ON RECYCLED PAPER

Original Request Letter from Senators Joseph I. Lieberman and John McCain

2003-004898 4/11 P 2:47

004898

United States Senate
WASHINGTON, DC 20510

April 2, 2003

Mr. Guy Caruso
Administrator
Energy Information Administration
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Administrator Caruso:

We are writing to request an analysis of the projected economic impact of S. 139, the *Climate Stewardship Act*, which we introduced on January 9, 2003. It is our intention to request the Environmental Protection Agency (EPA) to conduct a similar analysis.

The bill would require the Administrator of the EPA to promulgate regulations to limit the greenhouse gas emissions from the electricity generation, transportation, industrial, and commercial economic sectors as defined by EPA's *Inventory of U.S. Greenhouse Gas Emissions and Sinks*. The bill also would provide for the trading of emission allowances and reductions through a proposed greenhouse gas database established by the federal government, which would contain an inventory of emissions and a registry of reductions.

The legislation includes a number of key provisions that we want to call to your attention as EIA works to carry out a comprehensive analysis of the legislation's impact. We also request that you consider several recommendations on how certain factors might best be integrated into your review. These include:

- **Allocation.** The bill requires the Secretary of Commerce to determine the percentage of allowances that will be granted to covered entities, and the amount that would be allocated to the Climate Change Credit Corporation for auctioning. We request EIA evaluate a range of alternatives for these allocation percentages.
- **Foresight.** The legislation is designed to provide incentives to enable smooth adjustments through the program's inception in 2010, and specifically includes incentives for early action compliance efforts. Please evaluate the impact of such early action on the costs of compliance.
- **Technological response.** The bill allows for the deployment of new technologies to reduce greenhouses gas emissions. Please evaluate a range of technological responses, the effect of each response on the cost of compliance, and the perceived likelihood of that response.

**Original Request Letter from Senators Joseph I. Lieberman and John McCain
(continued)**

- Banking of allowances. The legislation allows an entity that has satisfied its yearly emission requirements to hold any remaining tradeable allowances for future uses. Please evaluate how covered entities that choose to bank allowances for future use would impact the cost of the program.

In addition to the above mentioned provisions, S. 139 also contains a number of “flexibility mechanisms” that are intended to allow a covered entity to select the most cost-effective compliance method available that best meets the unique circumstances of that entity. Attachment A provides a summary of these “flexibility mechanisms.”

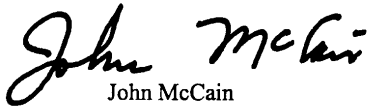
In carrying out this analysis, we request that EIA employ the most accurate baseline scenarios available. Please use emissions data and projections consistent with existing U.S. policies and measures and the U.S. Climate Action Report 2002 projections. Moreover, for projected emissions from the utility sector, please include all committed new capacity currently available, including all new units in operation, all new units physically under construction, and other units in the development process that are clearly committed to future operation.

We further request that EIA identify all key assumptions used in the analysis. In addition, please conduct a sensitivity analysis of the program’s overall cost to the various assumptions and variables.


We understand that this is an extremely comprehensive request and hope you appreciate that our goal is to ensure that the analysis provides the maximum amount of information on which to evaluate the ability of S. 139 to effectuate its goals. We would be pleased to further discuss this request, including its format and summary, at your convenience, and would appreciate receiving a written response informing us how EIA intends to conduct this analysis. In the meantime, if you have any questions or concerns regarding this request, please contact Tim Profeta of Senator Lieberman’s staff at 202-224-5016 or Floyd DesChamps with Senator McCain’s staff at 202-224-8172.

Thank you very much for your time and attention to this request.

Sincerely,



John McCain
U.S. Senator



Joseph I. Lieberman
U.S. Senator

**Original Request Letter from Senators Joseph I. Lieberman and John McCain
(continued)**

Attachment A. Flexibility Mechanisms of S.196

The flexibility provisions contained in S. 139 would:

- Allow covered entities to achieve compliance through reductions in non-CO₂ greenhouse gases (CH₄, N₂O, HFCs, PFCs and SF₆). In addition, covered entities may offset their emissions via reductions from non-covered sectors and entities up to the 15% and 10% offset limits for the first and second target periods, respectively. We request that in evaluating the opportunities for compliance through the non-CO₂ gases, EIA bases its findings on fully developed and tested marginal abatement curves, such as those developed by EPA or Energy Modeling Forum at Stanford University.
- Allow unlimited trading among and between sectors.
- Allow covered entities to offset their emissions, up to the 15% and 10% offset limits, by trading with verified inventories in other countries.
- Include an incentive program to encourage automobile manufacturers to increase the fuel economy of autos, as well as offset provisions that will encourage additional demand-side reductions in the electricity sector from non-covered sources.
- Ensure entities engaging in approved geological sequestration projects are not required to turn in allowances for sequestered emissions.
- Allow covered entities to offset their emissions, up to the 15% and 10% offset limits, through biological sequestration achieved through both forestry and agricultural practices.
- Allow covered entities to offset their emissions, up to the 15% and 10% offset limits, by purchasing registered credits from nonparticipating entities.
- Allow covered entities to offset their emissions, up to the 15% and 10% offset limits, by borrowing future reductions up to five years in advance, as long as the future allowances are repaid at a 10 percent interest rate.
- Allow early participants – entities that pledge to reduce their emissions to 1990 levels before 2010 – to raise their use of allowed offsets to 20 percent.

E-Mail from Aloysius Hogan of Senator Inhofe's Committee
(Requesting a Run That Excludes Nuclear and Geologic Sequestration as Options and Delays an Earlier Request To Run a Sensitivity Evaluating a Btu Tax Mechanism)

From: Aloysius_Hogan@epw.senate.gov
[mailto:Aloysius_Hogan@epw.senate.gov]
Sent: Wednesday, April 23, 2003 6:32 PM
To: Mary.hutzler@eia.doe.gov
Subject: Analysis requested by Senator Inhofe

Please perform a model run that excludes nuclear and geologic sequestration which are as of yet not authorized in law and are of indeterminate political acceptability.

In an effort to complete this suite of analyses in a timely fashion, please hold the greenhouse gas tax mechanism/BTU tax mechanism analysis until after the other analyses are complete.

Thank you.

Aloysius Hogan
Chief Counsel
US Senate Environment and Public Works Committee
410 Dirksen Senate
Office Building
Phone: 202-224-6176
Fax: 202-224-5167

E-mail: aloysius_hogan@epw.senate.gov

E-Mail from Floyd Deschamps of Senator McCain's Staff
(Refining Their Request To Include: Running a Sensitivity That Examines Greater Flexibility in Offsets Than the Current 15 Percent Amount; and Asking EIA To Base Its Non-CO₂ Gas Estimates on Projected Emissions of High-GWP Gases Rather Than Production Levels)

-----Original Message-----

From: DesChamps, Floyd (Commerce)
[mailto:Floyd_DesChamps@commerce.senate.gov]
Sent: Friday, May 02, 2003 3:32 PM
To: mary.hutzler@eia.doe.gov
Cc: Profeta, Tim (Lieberman)
Subject: EIA Analysis of S.139

In our initial memo, we requested EIA to inform our process by conducting a sensitivity analyses. Through this e-mail, we would like to convey specific runs that would be helpful to us. They are:

- 1) Please include greater flexibility for offsets than the current 15 percent amount (e.g. run 50 percent and full flexibility scenarios); and
- 2) Regarding non-CO₂ gases, please base your estimates on projected emissions of High-GWP gases (not on production levels).

Thanks for your assistance. Please call me with any questions at 22-8172.

**E-Mail from Aloysius Hogan of Senator Inhofe's Committee
(Requesting That a Sensitivity Be Run That Includes Higher Natural Gas Prices
Based on a More Pessimistic Outlook for Natural Gas Supplies)**

-----Original Message-----

From: Hogan, Aloysius (EPW) [mailto:Aloysius_Hogan@epw.senate.gov]
Sent: Thursday, June 05, 2003 6:05 PM
To: mary.hutzler@eia.doe.gov
Subject: Higher gas price analysis

Per our discussion, please include in your analysis of the Lieberman/McCain bill a scenario with higher natural gas prices. Such a scenario could result from Coastal Zone Management Act consistency appeals difficulties in permitting LNG facilities, difficulties in obtaining natural gas in the lower 48 states from Alaska, difficulties associated with Canada's compliance with the Kyoto Protocol, difficulties in developing America's resources on the Outer Continental Shelf, and other possible difficulties.

Please know that time is of the essence, however, with *possible* floor action during the week of June 9. As such, no such analysis should delay the utility of the EIA analysis *in toto* for floor debate.

Aloysius Hogan
Chief Counsel
US Senate Committee on Environment & Public Works
Direct Phone: 202-224-3107
Fax: 202-224-5167