"Cobb, Al" <Al.Cobb@hq.doe.gov>
01/21/2003 11:41:52 AM

Record Type: Record

To: Phil Cooney/CEQ/EOP@EOP

cc:
Subject: FW: EEI letter of intent to Secretary Abraham

Phil --

Following up from our meeting here earlier this morning ....

Al

-----Original Message-----
From: Dobriansky, Larisa
Sent: Friday, January 17, 2003 6:10 PM
To: Cobb, Al
Subject: FW: EEI letter of intent to Secretary Abraham

Here are the documents.
-----Original Message-----
From: Bill Fang [mailto:BFang@eei.org]
Sent: Friday, January 17, 2003 5:37 PM
To: gkelly8@comcast.net; john.quinn@constellation.com; Dobriansky, Larisa; mmq@nei.org
Subject: EEI letter of intent to Secretary Abraham

The letter and enclosures are attached. Signed copies on EEI letterhead are being delivered by messenger to DOE, CEQ and EPA.
Everyone, please try to keep this to yourself until Feb. 6.

- att1.htm
- abrahamkuhnletter011303Enclosure1,010603draft5.doc
- abrahamkuhnletter011303Enclosure2,010203draft3.doc
- climatepolicyletter011703,final.doc

January 17, 2003

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Delivered by Messenger

Dear Mr. Secretary:

The Edison Electric Institute (EEI) continues to support voluntary actions to reduce greenhouse gases (GHGs) and specifically supports the President's goal of reducing U.S. GHG intensity over the next decade. EEI and the electric utility industry[1] are world leaders in voluntary actions to reduce, avoid or sequester GHGs. In fact, in 2000 power sector activities comprised about 70 percent of the total reductions, avoidances and sequestrations reported to the Energy Information Administration. These activities primarily consisted of improvements to nuclear plants; energy efficiency and demand-side management (DSM) projects; improvements to fossil-fuel plants; methane recovery, forestry projects and fly ash reuse; and renewables projects.

EEI has been working with our EPICI industry allies and our member companies to develop a joint response from the entire power sector that reflects our fair contribution to the President's goal. Accordingly, EPICI plans to enter into a cooperative umbrella agreement or memorandum of understanding (MOU) with DOE by May 1, 2003. In this decade, EEI will work with our EPICI industry allies and the government to reduce the power sector's carbon intensity by the equivalent of 3 to 5 percent.

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1 In response to President Bush's call for action, EEI joined with six other power sector groups – Nuclear Energy Institute (NEI), American Public Power Association, Large Public Power Council, National Rural Electric Cooperative Association, Electric Power Supply Association (EPSA) and Tennessee Valley Authority (TVA) – to form the Electric Power Industry Climate Initiative (EPICI). EPICI's primary purpose is to coordinate the power sector's voluntary climate activities in cooperation with, and with assistance from, the Department of Energy (DOE) and other government agencies. The partnership between EPICI and DOE has been designated "Power Partners℠." Power Partners℠, along with other industry partnerships with DOE, constitute the Administration's "Energy Partners for Climate Action" (also referred to as "Business Challenges"). Several EEI member companies are also participating in other voluntary climate programs, such as Climate Leaders (with the Environmental Protection Agency (EPA)), Chicago Climate Exchange, Business Round Table and Partnerships for Climate Action.

Accomplishing this goal will be very difficult, as few sectors in the economy are likely to experience the level of growth forecast for our industry from 2000 to 2010. This goal will be achievable only if all EPICI trade groups and their members – with government support and appropriate policies[2] – work together to implement robust supply- and demand-side actions as well as offset projects. A combination of power sector and government efforts will be necessary, including: individual company actions reflecting companies' particular circumstances (financial, operating and fuel mix); government laws, regulations and policies favoring the full utilization or maintenance of nuclear and hydroelectric plant generating capacity; adequate supplies and delivery infrastructure for natural gas; economic incentives for renewables; and the full benefits of energy efficiency and DSM as well as offset projects. Since individual companies face different circumstances, the voluntary reduction goal does not apply to companies individually.

Some companies individually may be able to exceed this goal. And, as an industry, we may be able to achieve a higher goal in the future. However, the achievement of any goal is dependent upon market-driven forces affecting our industry's fuel mix, and government laws and policies.

Individual Company Activities as the Cornerstone. . .

In order to reach the President's goal, EEI has strongly recommended that member companies focus on quantitative, concrete and specific activities to reduce, avoid or sequester GHGs.

Once the umbrella MOU is completed, individual member companies may enter into company agreements with DOE. Activities pledged in these documents will include individual company actions – whether undertaken as a member of EEI, NEI, EPSA or any other group – and joint, industry-wide initiatives (see discussion below).

Supporting individual company actions will be the Power Partners Resource Guide, which will set forth a panoply of supply- and demand-side options for companies to consider in order to reduce, avoid and sequester GHGs. Among these activities will likely be: additional natural gas[3] and clean coal technology generation; additional nuclear generation (through increased capacity utilization, upratings and plant restarts)[4]; additional renewables, energy efficiency and DSM; additional offset projects (*e.g.*, tree planting and forest management,[5] methane projects and international projects); and

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[2] The critical area of government policies is addressed in Enclosure 1 to this letter.

[3] See EPSA letter of January 10, 2003, to you.

[4] See NEI letter of December 23, 2002, to you.

[5] The forecast for carbon sequestered in the U.S. through power sector activities is 4-5 million metric tons of CO_2 in the next decade. International sequestration activities by the power sector are likely to result in similar numbers of sequestered tons.

additional actions related to compliance with new air regulations (*e.g.*, additional natural gas and less coal generation).

. . .Supplemented by Industry Initiatives

In addition to individual company actions, which are the cornerstone of Power Partners[SM] voluntary programs, EEI member companies will also participate in industry initiatives. Our industry currently has eight initiatives underway, with six headed by EEI and two led by EPRI.[6]

Other Actions

In conjunction with our EPICI industry allies and federal agency partners, EEI also plans to issue an interim report that examines the progress of Power Partners[SM] activities and will seek to identify additional actions that could be undertaken by member companies, individually and collectively, to help meet the President's goal.

Furthermore, EEI will strive to obtain full company participation in Power Partners[SM]. Companies currently participating comprise more than 87 percent of EEI member company generation.

We appreciate the opportunity to work with DOE and other agencies as part of the Administration's Energy Partners for Climate Action, and look forward to participating in the kickoff event in Washington, D.C.

Sincerely,

Thomas R. Kuhn

TRK:lsf
Enclosures (2)
cc (w/ encs):
Hon. Christine Todd Whitman
Administrator
Environmental Protection Agency

Hon. James L. Connaughton, Esq.
Chairman
Council on Environmental Quality

6 The current forecast for these initiatives is contained in Enclosure 2 to this letter.

Hon. Robert G. Card
DOE Under Secretary for Energy, Science and Environment

Hon. Vicki A. Bailey
Assistant Secretary
DOE Office of Policy and International Affairs

Barton Marcois
Principal Deputy Assistant Secretary
DOE Office of Policy and International Affairs

Larisa Dobriansky, Esq.
Deputy Assistant Secretary
DOE Office of Policy and International Affairs

Philip A. Cooney, Esq.
Chief of Staff
Council of Environmental Quality

bcc (w/ encs):
All CEOs
Environmental EAC
GCC Subcommittee
Washington Representatives
Power Partners representatives
EEI GCC Issue Team

Government Policies

One key to the success of voluntary climate programs for the power sector is the implementation of appropriate government policies. Overall, increased support for emissions-free or less fossil fuel-intensive technologies or practices – such as renewables, clean coal technologies, natural gas, and energy efficiency and demand-side management – can help drive down greenhouse gases (GHGs).

- Access to natural gas supply and natural gas transportation infrastructure are critical.
- We are heartened by the announcement last fall that the Department of Energy's nearly $50 million of annual support for geological carbon sequestration will be increased up to $90 million.
- Funding for international power projects would also be helpful.

With regard to changes in policies and regulations, the following are necessary to help directly or indirectly decrease GHGs:

- Hydroelectric relicensing reform.
- Nuclear power plant licensing extensions.
- Reform of the new source review regulations under the Clean Air Act (in order to facilitate improvement of power plant efficiency and thereby decrease GHGs).
- Transmission siting authority for the federal government (which would ease seriously constrained transmission capacity in the U.S., which has required additional generation or power plants).

Reporting reforms under Energy Policy Act (EPAct) section 1605(b) are critical to industry participation in voluntary programs. The February 14 presidential statement articulated these reforms as the award of transferable credit and not penalizing those taking voluntary measures for their actions under future climate policy (which some have characterized as "baseline protection"). In addition, the July 8, 2002, four-agency letter to the President recommended a placeholder for activities previously reported under the EPAct section 1605(b) guidelines.

Government tax policies that would assist in reducing GHGs include accelerated depreciation and amortization of pollution control equipment. Other important financial incentives include production tax credits for renewables – such as wind, biomass and solar energy – and tax incentives for hybrid and fuel cell vehicles.

Contributions from EEI and EPRI Industry-wide Initiatives

The current forecast for EEI's industry initiatives is as follows:

- ForestTree Carbon Company: As much as 2 million metric tons of carbon dioxide (CO_2) are expected to be sequestered over the lifetime of the projects.[1]

- Coal Combustion Products Partnership: This partnership with the Environmental Protection Agency will increase the use of coal combustion products, and therefore is projected to increase CO_2 avoidances from the current 16 million metric tons of CO_2 to as much as 30 million metric tons of CO_2 annually.

- International Power Partnerships: This partnership with the Department of Energy (DOE) could reduce, avoid or sequester 1.8-18 million metric tons of CO_2-equivalent greenhouse gases (GHGs) annually from 2002-2010, depending on government (DOE) funding of, and member company investments in, projects.

- Three initiatives on wind, biomass, and restoration of abandoned mine lands: Tons of GHGs reduced, avoided or sequestered as result of these renewables and restoration initiatives are uncertain until projects are developed, but are potentially high.

EPRI's carbon capture and storage and climate technology roadmap initiatives: These long-term, research, development and deployment programs are unlikely to yield significant tons of GHGs reduced, avoided or sequestered in the short to medium term, but their potential for addressing GHGs in the long term is high.

[1] The Department of Agriculture this month is holding two workshops on revision of the Energy Policy Act section 1605(b) guidelines that may address unresolved carbon sequestration accounting issues, such as reporting a larger number of sequestered tons during the early years of projects.