

Appendix A. Analysis Request Letter

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20 October 2005

Mr. Guy F. Caruso
Administrator
Energy Information Administration
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Caruso:

On September 20, 2005, the Senate Committee on Energy and Natural Resources received testimony regarding the economic aspects of strategies to manage climate change, including testimony from Dr. Howard Gruenspecht of your staff. During that hearing, I expressed interest in further analysis of variations on the National Commission on Energy Policy (NCEP) proposal that was the focus of the hearing. Per discussions between our staff members, this letter outlines my request for that analysis.

In April 2005, the Energy Information Administration (EIA) released a report analyzing the policy recommendations contained within the 2004 National Commission on Energy Policy (NCEP) report entitled, "Ending the Energy Stalemate: A Bipartisan Strategy to Meet America's Energy Challenges." Since this analysis was published, the U.S. Senate has passed a "Sense of the Senate" resolution calling for mandatory limits and incentives to slow, stop, and reverse the growth of greenhouse gas emissions in a manner and at a pace that will encourage comparable actions by other countries while not significantly harming our economy.

One element of the NCEP policy package considered in EIA's report is a greenhouse gas (GHG) emissions intensity reduction program to achieve a GHG intensity improvement of 2.4 percent per year between 2010 and 2019 and 2.8 percent per year between 2020 and 2025. The program also entailed a safety-valve permit price starting at \$7 per metric ton CO₂ equivalent in 2010 nominal dollars that would increase by 5 percent annually up to \$14.55 in 2025. I would like EIA to build on its analysis to date by running a number of additional intensity target and safety valve scenarios.

I am particularly interested in an analysis of additional intensity-improvement/safety-valve combinations with intensity improvements ranging from 2.6 to 4.0 percent per year and safety valve values ranging from \$10 to \$35 (in 2010 nominal dollars, rising five percent per year). This analysis should also consider the impact of base case and high technology assumptions.

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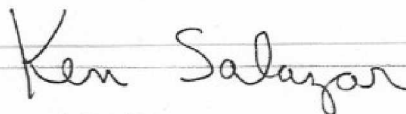
This report should include estimates of the same environmental and economic indicators from the previous report, including but not limited to supply estimates (by fuel), GHG emissions, GDP and employment.

The purpose of this analysis would be to draw out the relative effects of alternative policies. By running different combinations, this product should allow policy makers to evaluate the impact of changing the safety valve price through this range given the base case intensity improvement (2.4 percent through 2020 and 2.8 percent thereafter), and to evaluate the impact of increasing the intensity improvement through this range in combination with various safety valve prices.

I understand that EIA is now updating its energy model in preparation for the release of the 2006 Annual Energy Outlook and that the reference case for the new Outlook is scheduled to be released this November. Please use the updated model and the new reference case when performing the additional analysis. I recognize that I should not expect the results of this study to be delivered until February 2006.

Thank you for your assistance with this report. Should you have any questions please do not hesitate to contact Dr. John Plumb in my office at 202-224-5852.

Sincerely,



Ken Salazar