



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

THE ADMINISTRATOR

The Honorable J. Dennis Hastert  
United States House of Representatives  
Washington, DC 20510

Dear Mr. Speaker:

Enclosed is a draft bill to amend Title I and Title IV of the Clean Air Act (42 U.S.C. 7401 *et seq.*). This legislation is being proposed by the Administration, consistent with the recommendations in Chapter 3 of the National Energy Policy, to reduce emissions of harmful air pollutants from electricity generating units. We recommend that this draft bill be referred to the appropriate committee for consideration, and enacted.

The National Energy Policy recommended that the EPA Administrator work with Congress to propose legislation that would establish a flexible, market-based program to significantly reduce and cap emissions of sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), and mercury from electric power generators. This legislation, called for by the President during his announcement of the Clear Skies Initiative on February 14, 2002, would expand the use of cap-and-trade programs, and provide an alternative regulatory classification for the power plants subject to these programs.

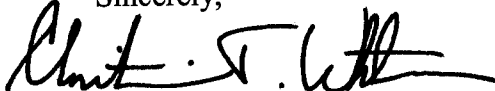
In the United States, power plants emit significant amounts of air pollution: 63 percent of all SO<sub>2</sub> emissions, 37 percent of mercury emissions, and 22 percent of all NO<sub>x</sub> emissions. These pollutants contribute to a variety of health and environmental problems, such as smog, acid rain, nitrogen deposition and visibility impairment. Current law addresses each of these pollutants independently, on different timetables, through several different programs. As a consequence, power plants might install pollution control equipment in one year that is rendered obsolete in the next. Under the approach in the draft bill, the nation will benefit from more cost-effective emission reductions earlier, and with greater certainty, than would be achieved under the current Clean Air Act.

The draft bill has been developed to address the health and environmental problems noted above by creating a mandatory cap-and-emission allocation trading program, similar to the Clean Air Act's Acid Rain Program, to reduce power plant emissions of SO<sub>2</sub>, NO<sub>x</sub>, and mercury. The nationwide SO<sub>2</sub> cap in 2010 is 4.5 million tons, declining to 3.0 million tons in 2018; the nationwide NO<sub>x</sub> cap is 2.1 million tons in 2008, declining to 1.7 million tons in 2018; and the nationwide mercury cap is 26 tons in 2010, declining to 15 tons in 2018. The bill would address the uncoordinated control of these same pollutants under current law by amending sections 110, 111, 112, and 126 of Title I to streamline redundant requirements for powerplants.

The NO<sub>x</sub> and SO<sub>2</sub> emission reduction requirements in the draft bill would apply to fossil fuel-fired combustion units serving electric generators greater than 25 megawatts (MW), with certain exceptions. The mercury requirements would apply only to coal-fired units serving electric generators greater than 25 MW. Other sources, however, have the option of acceding to this program if they provide additional emission reductions and meet certain other conditions. The authority would function in much the same way that the Administrator currently oversees the Title IV Acid Rain Program.

The Office of Management and Budget has advised us that there is no objection to the submission of this proposal to Congress and that enactment of this proposal would be in accord with the program of the President.

Sincerely,

A handwritten signature in black ink, appearing to read "Christine Todd Whitman". The signature is fluid and cursive, with a prominent initial "C" and a long, sweeping underline.

Christine Todd Whitman

Enclosure