US EPA ARCHIVE DOCUMENT

United States Senate

WASHINGTON, DC 20510

July 26, 2007

The Honorable Stephen L. Johnson
Administrator
U.S. Environmental Protection Agency
Ariel Rios Building
1200 Pennsylvania Ave. NW
Washington, DC 20460

Dear Administrator Johnson:

We are writing to request that EPA estimate the economic impacts, focusing especially on near-term impacts (e.g., 2012-2030), of the "Low Carbon Economy Act" of 2007 (S.1766), which we introduced on July 11th. We would like EPA to analyze our bill under two sets of assumptions: (1) under EPA's base assumptions used for its analysis of the "Climate Stewardship and Innovation Act" of 2007 and (2) under a case using high-technology assumptions. We feel that the latter case better reflects the complementary measures that we see as necessary and beneficial to reduce greenhouse gas emissions and reflects the substantial funding that our program provides for the development and deployment of advanced energy technologies, so we ask that you use this as the policy case from which to base any sensitivity analyses. In both cases, please assume that the 2050 target is 60 percent below 2006 emissions levels.

We believe EPA's analysis of the "Low Carbon Economy Act" would prove useful to us and other members of the Senate as we craft measures to combat global climate change. We anticipate that the Senate will vote on climate change legislation this Fall, and it is imperative that we have economic impact assessments by October 1st of this year.

In addition, we request that EPA prepare two charts on greenhouse gas concentrations. First, we ask for a chart showing each major-emitting nation's historic contribution to greenhouse gas concentrations. Second, we would like a chart showing the effects of the emission targets of three climate bills—Sens. Lieberman and McCain's "Climate Stewardship and Innovation Act" of 2007, Sens. Kerry and Snowe's "Global Warming Reduction Act" of 2007, and our "Low Carbon Economy Act" of 2007—on global greenhouse gas concentrations, projected to 2050, assuming that developing countries do not reduce their emissions; and the "Low Carbon Economy Act" of 2007 assuming developing countries begin to reduce absolute emissions starting in 2020 and reach 2006 emission levels by 2050. We request that these charts be provided by late-August in order to maximize their usefulness.

Given the tight timeline, we ask that EPA begin this process by meeting with our staff as soon as possible to discuss the parameters, methods, and duration of the analysis. Please call Jonathan Black with the Senate Committee on Energy and Natural Resources at (202)224-6722 or Tom Dower with Senator Specter at (202)224-9027.

Thank you for your assistance with this analysis.

Sincerely,

Jeff Bingaman

Arlen Specter

Summary of Request and Assumptions

I. Two Charts to be delivered by late-August.

A. Historic contribution to current greenhouse gas concentrations, by major-emitting nation.

B. Projections of global greenhouse gas concentrations to 2050, assuming the following scenarios:

1. Enactment of the "Climate Stewardship and Innovation Act" of 2007 and business as usual emissions in developing countries.
2. Enactment of the "Global Warming Reduction Act" of 2007 and business as usual emissions in developing countries.
3. Enactment of the "Low Carbon Economy Act" of 2007 (assuming the 2030 cap level through 2050) and business as usual emissions in developing countries.
4. Enactment of the "Low Carbon Economy Act" of 2007 (with a 2050 target of 60% below 2006 emission levels by 2050) and assuming gradual reductions in absolute greenhouse gas emissions in developing countries starting in 2020, reaching 2006 emission levels by 2050.

II. Economic Analysis of the "Low Carbon Economy Act" of 2007 to be delivered by October 1, 2007.

A. Case I: High-Technology Case

1. Assume
   - Federal Renewable Portfolio Standard of 15% by 2020
   - Gradually increasing fuel economy standard for new cars and light trucks
   - The Senate Renewable Fuels Standard
   - Energy efficiency and electric sector technology assumptions from EIA's "High Technology" case

B. Case II: Baseline Technology Case

1. Assume:
   - Baseline assumptions you used for the analysis of the "Climate Stewardship and Innovation Act" of 2007 or, to the extent that you have updated or refined your analytical tools since that analysis, please make note of the changes

C. [Case III: TAP Case

1. If the Technology Accelerator Payment mechanism is not triggered in either Case I or Case II, run such a case.]

D. Other Issues

1. Please analyze the impact of the carbon capture and storage bonus allowance provision on the electric generation sector and assess whether the ratios of allowances provided are appropriate.
2. Please conduct a sensitivity analysis that assumes that international offset credits are permitted to meet up to 10% of the compliance obligation beginning 10 years into the program.