FOIA Number: 2017-1093-F

FOIA MARKER

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Subgroup/Office of Origin: Office of Environmental Initiatives

Series/Staff Member: Roger Ballentine

Subseries:

OA/ID Number: 19512

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Folder Title:
Climate Change Other Utilities [3]

Stack:	Row:	Section:	Shelf:	Position:
S	62	1	1	3

Comparison of the Power Plant Proposals – Emissions

Pollutant/Provision	Annual Emissions (1997)	S. 1949 Leahy Proposal Annual Emissions	S. 1369 Jeffords Proposal Annual Emissions	S. 172 Moynihan Proposal Annual Emissions	HR 2900 Waxman Proposal Annual Emissions	*HR. 2667 Allen Proposal Annual Emissions
Mercury	**52 tons**	**5 tons** [Analysis: Requires 90% removal. Over a 50-year period more than 2,200 tons of mercury emissions would be avoided.]	**5 tons**	Study, promulgate regulations >4 yrs. after enactment. Does not specify target.	**5 tons** (Based on 90% removal)	Combines Mercury **15 tons** (Based on 70% & mis. Reduq removal)
Carbon Dioxide (CO_2)	**> 2 billion tons**	**1 - 1.35 billion tons** [Analysis: Leahy bill is estimated to reduce annual CO_2 emissions by 560 million tons to 915 million tons over other proposals. For a 50-year period, total CO_2 emissions would be from 28 to 45 billion tons less under the Leahy proposal.]	**1.914 billion tons**	**not covered**	**1.914 billion tons**	**1.914 billion tons**
Sulfur Dioxide (SO_2)	**12.5 million tons** in 1997. After 2000, Phase II statutory cap of **8.9 million tons**	**2.9 million tons** [Analysis: Leahy bill would reduce SO_2 emissions 6 million tons per year beyond Phase II caps. Over a 50-year period the Leahy bill would reduce SO_2 emissions by 300 million tons beyond the Phase II cap.]	**3.58 million tons**	**4.45 million tons** (equal to 50% reduction beyond Phase II cap after 2005)	**3.12 million tons**	**2.9 million tons**
Nitrogen Oxides (NO_x)	**5.6 million tons** in 1997. EIA estimates **4.6 million tons** in 2000 (at Phase II limit of .5 pounds NO_x/million BTU).	**1.4 million tons.** [Analysis: Leahy bill sets NO_x limit of 0.15 pounds/million BTU, 30% of Phase II limit. Over a 50-year period the Leahy bill would reduce NO_x emissions by 160 million tons beyond the Phase II cap.]	**1.66 million tons**	**5.4 million until 2004, 3.0 million after 2005**	**1.4 million tons**	**1.4 million tons**
Cap & Trade		No. Encourages "replacement" of dirty, inefficient units with new, clean, and efficient units. (Nope	yes Lieberman, Schumer, Lautenberg, Kennedy, Feinstein, Snowe, Moynihan, John Kerry, Dodd, Reed, Boxer	yes John Kerry, Schumer, Jeffords, Dodd, Feinstein, Lautenberg, Wyden, Lieberman, Reed, Boxer, Kennedy	yes, but prohibits trading for mercury emissions See attached pg	yes for CO2

Comparison of the Power Plant Proposals – Other Features

Provision	Leahy Proposal	Jeffords Proposal	Moynihan Proposal	Waxman Proposal	Allen Proposal
Grandfather Loophole	All sources must comply with New Source Review requirements not later than 10 years after enactment. Would apply to nearly 1,500 fossil-fired units.	no	no	Plants in operation 30 years or more, or by 5 years after enactment, whichever date is later, must comply with new source performance standards.	Eliminating the loophole is listed in the Purposes section, but specific statutory language has not been identified.
Combustion Efficiency Standards	Current industry average efficiency is 33%, with little variation between fuel types. Increased efficiency is key to permanently reducing CO2 emissions from fossil-fired power plants. Leahy bill requires that all fossil-fired units achieve 45% combustion efficiency (higher heating value) by not later than 10 years after enactment. Fossil-fired units commencing operation more than 10 years after enactment must achieve 50% efficiency (higher heating value). The efficiency values are correlated with fuel-specific CO2 emission standards which take into account that the carbon content of coal is greater than oil, and that the carbon content of oil is greater than natural gas.	no	no	no	no
Accelerated Depreciation of Clean, Efficient Investor-Owned Fossil-Fired Generating Units, and Equivalent Grants for Clean, Efficient Publicly-Owned Fossil-Fired Generating Units	New, efficient combustion technologies will have shorter physical lifetimes than the units currently in operation. The existing tax code depreciates generating units over 20 years. In recognition of these shorter lifetimes, the Leahy bill proposes amending the tax code to accelerate the depreciation period for 45% efficient units (and complying with all environmental requirements) to 15 years. Units meeting or exceeding the 50% efficiency standards would be depreciated over 12 years.	no	no	no	no

Comparison of the Power Plant Proposals – Other Features

Provision	Leahy Proposal	Jeffords Proposal	Moynihan Proposal	Waxman Proposal	Allen Proposal
Renewable Energy	Provides $750 million over 10 years from the **Clean Air Trust Fund**** established in the bill and funded by a 30 cent per mega Watt fee on electricity produced by grandfathered power plants. Funds are for R&D and commercial demonstration projects for generation from biomass, geothermal, solar, wind, and clean technologies such as fuel cells. Does not contain a mandate for a percentage of power that must be generated by renewable technologies. Extends renewable energy production credit to 2010 (expires in 1999)	Establishes renewable "portfolio standard." Requires increasing generation from renewables each year equal to no less than 20% of total non-hydroelectric generation by 2020. Funds available through "National Electric System Benefits Fund" (established in the bill and funded by a "wires charge" not to exceed 2 mills/kWh) to match state funds and programs for renewable energy sources, universal electric service, affordable electric service, energy conservation and efficiency, and R&D for these programs.	no	no	no

** In addition to funding R& D and commercial demonstrations of renewable technologies, funds from the **Clean Air Trust Fund** will be used to fund programs discussed below for workers and communities, commercial demonstrations of clean coal, advanced gas, and CHP technologies, and carbon sequestration projects.

Provision	Leahy Proposal	Jeffords Proposal	Moynihan Proposal	Waxman Proposal	Allen Proposal
Commercial Demonstration Program for Clean Coal/ Advanced Gas/ Combined Heat and Power Technologies	Provides $750 million over 10 years from the **Clean Air Trust Fund** for commercial demonstration projects and partnerships to demonstrate the environmental and efficiency benefits that can be achieved through clean coal/advanced gas/CHP technologies.	no	no	no	no

Comparison of the Power Plant Proposals – Other Features

Provision	Leahy Proposal	Jeffords Proposal	Moynihan Proposal	Waxman Proposal	Allen Proposal
Provisions for Workers and Communities Adversely Affected by Reduced Consumption of Coal	Combined total of $150 million per year for 15 years from the **Clean Air Trust Fund** for workers and communities adversely affected by reduced consumption of coal by the electric power generation industry. Worker programs are administered through the economic dislocation and adjustment assistance program of Title III of the "Job Training Partnership Act." Community funds are administered through the economic adjustment program authorized by the "Public Works and Economic Development Act of 1965."	no	no	no	Same as the Leahy bill.
Right-to-Know Provisions	Requires that at least once per year electricity suppliers provide customers with pollutant-specific information on the volume of emissions. Also requires that EPA annually publish electronically and in hard copy pollutant-specific emissions data for each generating unit covered by the Leahy bill.	Requires disclosure of of information for consumers on generation source portfolios, emissions data, and price terms. Directs DOE to consult with other agencies and then promulgate regulations on reporting frequency, content, and method.	Requires that auctions of allowances be open to any person. A report on various environmental indicators shall be submitted to Congress not later than 12/31/2008. This report will be publicly available. Report on deposition research would be submitted to Congress not later than 9/30/2001.	no	Same as Leahy bill.
Carbon Sequestration	Provides a total of $345 million over 10 years to develop a long-term carbon sequestration strategy for the U.S. ($45 million over 3 years) and to fund projects including soil restoration, tree planting, wetland's protection, and other ways of biologically sequestering carbon dioxide ($300 million over 10 years). Projects under this section cannot be used to offset emission reductions otherwise mandated by the Leahy bill.	no	no	no	Same as the Leahy bill.

Comparison of the Power Plant Proposals – Other Features

Provision	Leahy Proposal	Jeffords Proposal	Moynihan Proposal	Waxman Proposal	Allen Proposal
Recognition of Permanent Emission Reductions in Future Climate Change Implementation Programs	Expresses the sense of the Senate that permanent reductions of CO_2 and NOx accomplished through retirement and replacement of old, dirty generating units with units that meet the efficiency and emissions requirements of the bill should be credited to the utility sector and the owner in any climate change implementation program enacted by Congress. The bill stipulates that a portion of any monetary value that may accrue from credits under this section should be passed on to utility customers.	no	no	no	Same as the Leahy bill.
Other Utility Deregulation Provisions	no	Self-generation and net Metering	no	no	no

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

OFFICE OF
AIR AND RADIATION

Mr. Thomas R. Kuhn
President
Edison Electric Institute
701 Pennsylvania Avenue, NW
Washington, DC 20004-2696

Dear Mr Kuhn:

Thank you for your invitation to attend the June 14th meeting of the Environmental Affairs Committee at the Edison Electric Institute's Annual Convention. Regrettably, I will not be able to attend the session due to a conflict with a meeting that I have with the Western Governors in Wyoming.

The opportunity to talk with Chief Executive Officers of your member companies about the ongoing EEI-sponsored dialog that my staff have been attending is something I would like to do soon and is timely. In that dialog, EPA and industry staff are examining the most significant issues that face the power industry in its efforts to comply with the requirements of the Clean Air Act and to address climate change. We have tried to identify the major problems that occur for the power industry from these activities and to develop ways of resolving them. This dialog began last fall when several CEOs of power companies raised to the Vice President concerns about the regulatory barriers that exist in implementing environmental laws that may hinder progress toward lower carbon dioxide emissions.

Two major issues have emerged in the dialog process that EPA staff are working with power industry representatives to address. First, there can be some uncertainty created by the current approach to rulemakings covering the power industry (one-after-the-other, over time). This uncertainty makes it difficult to plan investments for new capacity, make asset acquisitions and sale decisions during the current restructuring process, and decide on the appropriate pollution control retrofits to make on existing generation units. There is a widespread concern within the power industry that changing requirements could leave the industry with "stranded investments" for pollution controls on units that will close in the face of future regulations. Second, there is concern over the lack of flexibility in some of EPA's air emissions programs that make reaching environmental objectives more expensive than they have to be, or impede efforts in improving the efficiency of generation units.

I appreciate all of the technical discussions that have taken place this spring and I believe there are many ideas worth further work. Both the power industry and EPA have put ideas on the table. I believe to focus now on these issues at the beginning of your efforts to restructure when your knowledge of EPA's agenda for future air emissions regulations and our understanding of flexibility that makes sense will be extremely valuable.

I believe it is timely to schedule a discussion with CEOs here in Washington to assess our progress and potential. I would ask if EEI's Environmental Affairs Committee could discuss this idea.

I hope that EEI's Annual Convention is successful and am sorry that I could not join you in Long Beach. Look forward to talking with you soon on setting up a CEO meeting.

Sincerely,

Bob Perciasepe

Robert Perciasepe
Assistant Administrator

(GA, AL, MS, FL)

(OH, IN, MI, KY, WV)

<u>**Sample Utilities**</u>

Southern (south/midwest) ✓
AEP (~~midwest~~) ✓
TVA ✓
Synergy (~~midwest~~) Bill Tyndall 513-287 3522
OH/In
WEPCO (Wisconsin) Larry Brendel 662 4341
Tampa Electric
Detroit Edison (Dingell)

> [Dirtier]

Unicom (Chicago)
Sempra (CA)
PSE&G (NJ) 732-741-9475
Niagra Mohawk (Upstate NY)
PG&E (Fl,MA,NJ,PA,OR,NY,VT,NH) ✓
PECO (Phil)
Consolidated Edison (NYC)

> [Cleaner]

[Bold: enthusiastic, unequivocal support]

Michael Bradley
978 369 5533

617-513-2415 cell
978-263-2478 home

Bob Davis

Sample Utilities

Southern (south/midwest)
AEP (midwest)
TVA
Synergy (midwest) > [Dirtier]
WEPCO (Wisconsin)
Tampa Electric
Detroit Edison (Dingell)

Unicom (Chicago)
Sempra (CA)
PSE&G (NJ)
Niagra Mohawk (Upstate NY) > [Cleaner]
PG&E (Fl,MA,NJ,PA,OR,NY,VT,NH)
PECO (Phil)
Consolidated Edison (NYC)

[Bold: enthusiastic, unequivocal support]

Janet Anderson

04/21/2000 01:40:55 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

cc: Angela C. Mizeur/WHO/EOP@EOP
Subject: contacts

Sempra (San Diego Gas and Elec.)
David Freer 662.1704

PECO (Philidelphia Elec.)
David Brown 783.5599

PG & E Generating (Pacific Gas and Elec.) -- an independent power producer; lots of capacity in many states
Mark Carney 301/280.6899 (he's out today, but has several deputies in the office)

Niagra Mohawk
Bill Bumpers (639.7718) represents them and would know the best person to call.

Shelley says she has already mentioned these two, but I think they would be important:

TECO (Tampa Elec.)
Richard Lehfeldt 813/228.4227

Unicom (Commonwealth Edison - Chicago)
Betsy Moler 347.7500

Eli G. Attie@OVP
04/21/2000 05:50:59 PM

Record Type: Record

To: George T. Frampton/CEQ/EOP@EOP, Roger S. Ballentine/WHO/EOP@EOP, Monica M. Dixon/OVP@OVP

cc:
Subject: revised earth Day

REMARKS BY VICE PRESIDENT AL GORE
EARTH DAY RALLY ON THE MALL
Saturday, April 22, 2000

Thank you, Denis Hayes, for making this 30th anniversary of Earth Day not just a celebration – but a powerful renewal of our unbending determination to clean up pollution, safeguard our environment, and save the Earth itself.

Thank you Mayor Williams, for your leadership in our nation's capital.

And a special word thanks to Leonardo DiCaprio, for summoning a new generation to our environmental crusade.

Earth Day has always been a recognition of our most powerful common link: the air, the water, and the planet we share. And for 30 years now, strand by strand, we have strengthened that link.

In the beginning, on that first Earth Day, many still believed that pollution was the inescapable price of prosperity. They were wrong.

Back then, if you believed in global warming, people thought you were part of the flat-earth society. But now we know that those who deny global warming are flat-out wrong.

Back then, we could never have imagined the day when leaders of industry, leaders of the labor movement, and lifelong environmentalists could stand together and work together as they are now, for a cleaner, stronger America.

We have miles to go, but in these 30 years we have traveled far on this journey. We now have the cleanest air and water in a generation – in the midst of the single longest economic expansion in American history.

Some of you may remember the fierce criticism I received when I wrote "Earth in the Balance" almost a decade ago. I certainly remember the criticism. Well, let me tell you: I expected that criticism then, and I wear it as a badge of honor to this day.

When I wrote that book, I was relentlessly attacked for suggesting that America could end its reliance on the internal combustion engine.

Today, that's conventional wisdom not just at Earth Day celebrations, but in the heart of our auto industry. The big three auto markers are working on concept cars that run on water – with no greenhouse gas emissions at all.

They know that it's not extreme, but mainstream to champion cleaner fuels. And they know that protecting the environment is the right thing to do. It will create jobs, not destroy jobs. And it can save the Earth as we know it.

When it comes to our air, our water, and the Earth itself, we all have a responsibility to look not just to ourselves, not just to the politics or profit of the moment, but to future generations.

We have to make the next ten years the Environment Decade, in America and around the world. We have to stand against the apologists for pollution – those who believe in the old politics of environmental irresponsibility.

In the Environment Decade, we have to protect our forests, our rivers, and our public lands – so that families have places where they can hike and climb, and reach out toward the stars.

In the Environment Decade, we have to encourage smarter growth, and more livable neighborhoods – so every community can grow according to its own values, in a way that preserves its own precious character.

In the Environment Decade, we have to invest more in conservation, in renewable energy, and in fast-growing technologies that combat pollution.

In the Environment Decade, we must take decisive steps – not just in this country, but everywhere in the world – to reverse the rise in global warming.

As with the new generation of fuel-efficient vehicles, we can combat global warming in ways that create jobs – by pursuing a global market for new energy technology that is expected to reach $10 trillion in the next two decades.

In the Environment Decade, we need to enforce tough, realistic, achievable air quality standards -- to protect our children's health.

We are fighting for tough new standards to reduce smog and soot – because we will no longer accept an America where child asthma is on the rise.

But other dangerous toxins and pollutants still cloud our air – seeding the acid rain that threatens our forests and waters. Adding to global warming. And threatening human health. There are many sources of this pollution – including the nation's power-generating plants.

We can and we must work with the power industry to solve this problem – through a new and comprehensive approach. We don't want to micro-manage businesses. We have to set clear, enforceable performance goals, but we have to give industry the flexibility to meet them. We have to rely on market-based approaches like emissions trading – to make the free market a friend of clean air, not its enemy. And when utility companies improve their efficiency; when they use new, clean technology – we have to encourage them, not put barriers in their way. Because that is the way to cleaner air – while saving money and creating new jobs.

On this Earth Day, we welcome the bipartisan talks that are now taking place on Capitol Hill, and among environmental and industry leaders. The challenge is real and the solutions are not easy.

But together we can and will do what's right for our environment, because it is right for our children and America's future.

The issue involves all our lives – from the simple security of knowing that our drinking water is safe, to the more ominous change in our global climate.

One hundred years from now, when our great grandchildren gather to mark the first Earth Day of the next century, I want them to know that we were thinking of their time with the same vision, the same dedication, and the same commitment that we see here today on the Mall.

The earth is in the balance. Save it we can, and save it we must – for this is the great responsibility of our generation. Together, let's resolve to finish the journey. Thank you.

Wisconsin Electric
A WISCONSIN ENERGY COMPANY

Wisconsin Electric
122 C Street, NW - Suite 840
Washington, DC 20001
Phone 202 662-4340
Fax 202 662-4359

Federal Government Affairs
Wisconsin Electric Power Company
Phone: (202)662-4340
FAX: (202)662-4359

FAX COVER SHEET

Date: 5/10/00

To: Roger

Comments: Didn't remember if I sent you the final news release we issued. Here it is.

From: Larry Bruneel

Number of Pages (including cover): 2

Wisconsin Electric
A WISCONSIN ENERGY COMPANY

News releases

Printer-friendly copy

Wisconsin Electric Supports Holistic Environmental Approach

MILWAUKEE, April 24 /PRNewswire/ -- In commemoration of the 30th anniversary of Earth Day, Wisconsin Electric supports the White House's innovative and practical approaches to addressing the environmental impacts of producing electricity.

In particular, Wisconsin Electric supports the need to look at environmental issues holistically. As a nation, we should set long-term goals and then provide business the flexibility to determine how to best meet those goals. Encouraging greater capital stock turnover in the energy sector is a key component in this strategy.

In his Earth Day address, Vice President Al Gore identified several key mechanisms for encouraging the modernization of our nation's fleet of power plants. They include the use of a comprehensive approach to addressing emissions, the use of market mechanisms to replace command and control regulation and the involvement of all interested parties in setting policy direction.

Wisconsin Electric is nationally recognized for its approach to producing energy in an environmentally benign manner. The company has a strong commitment to renewable energy, as exemplified by its Energy for Tomorrow program, one of the largest green pricing programs in the country. The company also has a long-standing commitment to diversifying its resource mix for electric generation and the wise use of energy.

Wisconsin Electric believes that environmental and economic issues cannot be separated. Solutions to environmental issues of the 21st century will require vision, flexibility, innovation and the willingness to enter into meaningful partnerships.

A subsidiary of Wisconsin Energy Corp. (NYSE: WEC), Wisconsin Electric provides electricity, natural gas and/or steam service to about 2.4 million people in southeastern Wisconsin (including the Milwaukee area), the Appleton area, the Prairie du Chien area, and in northern Wisconsin and Michigan's Upper Peninsula. Visit the company's Web site at http://www.wisconsinelectric.com

SOURCE Wisconsin Electric

The Clean Energy Group

Consolidated Edison, Inc.

KeySpan Energy

Niagara Mohawk Power Corporation

Northeast Utilities

Ontario Power Generation Inc.

PECO Energy Company

PG&E Generating

Public Service Electric and Gas Company

Sempra Energy

Michael Bradley
Executive Director
The Clean Energy Group
47 Junction Square Drive
Concord, MA 01742

978-369-5533
978-369-7712

April 22, 2000

The Clean Energy Group Applauds Vice President's Effort to Coordinate Future Emission Reduction Targets

The Clean Energy Group applauds Vice President Al Gore's efforts to advance a new approach to address air emissions from electric power plants.

Historically, regulators have taken an incremental approach, addressing air emissions one pollutant at a time. This strategy can result in inefficiencies when investments in pollution control equipment are rendered inappropriate because of unanticipated, future regulations. Also, the uncertainty inherent in this piecemeal approach tends to discourage new capital investment.

The Clean Energy Group, consistent with the Vice President's proposal, supports a comprehensive, national strategy that would establish future reduction targets for nitrogen oxides (NO_x), sulfur dioxides (SO_2), mercury and carbon dioxide (CO_2). By adopting a comprehensive approach, substantial environmental improvements can be achieved, while providing a high degree of regulatory certainty over a period of 10-15 years for companies managing new and existing generating plants. By relying on market-based mechanisms (e.g., emissions trading), air quality goals can be achieved in a cost-effective manner. The Clean Energy Group has considered the advantages of an integrated strategy for some time and released, in March, 2000, an integrated strategy proposal consistent with these principles.

"As the electric power market becomes increasingly competitive, generating companies will benefit significantly from having a longer term understanding of future emission reduction targets, and the public will benefit knowing that these market changes will not lead to increased air emissions," noted Michael Bradley, Executive Director of the Clean Energy Group.

To request a copy of the Clean Energy Group's Integrated Strategy proposal or to discuss the proposal, contact Michael Bradley or Chris Van Atten at (978) 369-5533.

The Clean Energy Group (CEG) is a coalition of major electric generating companies that are committed to the provision of clean energy and to responsible environmental stewardship. By working cooperatively with the environmental community, government, and other stakeholders, CEG seeks to promote the adoption of progressive environmental policies that are sustainable from both an environmental and an economic perspective.

Sempra Energy

George P. Williams
Director
Government Affairs

Washington Center
Sixth Floor East
1001 G Street, N.W.
Washington, D.C. 20001-4545

Tel: 202.662.1701
Fax: 202.293.2887
Fax: 202.293.2888
gwilliams@sempra.com

Roger Ballentine
At FAX # 202-456-1736

Dear Roger:

Given the limited time available, I am unable to get hold of our CEO to get his name on this. However, if you can just list the company (or my name, if a serf will do) you can add this:

"Sempra applauds the Vice President's interest in formulating an approach to the future regulation of power plants that is based on the concepts of regulatory certainty and maximizing the use of market mechanisms. This approach will help harness the creative forces of the private sector to meet our nation's air quality needs. We look forward to working together as this effort proceeds."

Hope that helps. Good luck tomorrow.

George Williams

Fax to: Roger B., Page One of One, 456-1736

"Current environmental laws focus on the trees instead of the forest. We are encouraged by this desire to take a 'big picture' approach. The Clean Air Act proved it—flexibility works better than command-and-control. This approach avoids government micromanagement of industry. Just tell us where we need to go, and get out of the way."

—Michael Marvin, President of the Business Council for Sustainable Energy (BCSE). The BCSE is a coalition of natural gas, energy efficiency, electric utility and renewable energy companies and industry trade associations focused on protecting the environment and promoting economic growth. The BCSE has been a leading voice in international climate change negotiations, promoting policies such as emissions trading that provide the greatest flexibility to businesses in meeting objectives.

(Marvin can be reached on April 22 at 202-486-6278)

News Release

PSEG Power LLC
80 Park Plaza, Newark, NJ 07102-4194
mailing address: P.O. Box 570, Newark, NJ 07101-0570
tel: 973.430.7000

PSEG
Power LLC

FOR IMMEDIATE RELEASE
April 22, 2000

CONTACT: Neil Brown
(973) 430-6017

PSEG POWER SUPPORTS VICE PRESIDENT GORE'S CALL FOR NATIONAL, COMPREHENSIVE PROGRAM TO REDUCE POWER PLANT AIR POLLUTION EMISSIONS

PSEG Power LLC, the Newark, NJ-based independent power and energy trading company, voiced strong support today for Vice President Al Gore's Earth Day call for a national, multi-pollution approach to reduce the electric power industry's impact on the nation's air quality.

Frank Cassidy, PSEG Power president, said, "We have been strong advocates for a comprehensive and uniform system of more stringent air emissions standards applicable to all power plants in the U.S. We believe an integrated approach that includes reductions in nitrogen oxide, sulfur dioxide, carbon dioxide, and mercury along with market-based compliance methods such as emissions trading, can lead to significant improvements in the nation's air quality at reasonable and fairly allocated costs."

Cassidy said implementing a system of uniform, more stringent emissions standards is especially important as the electric power industry moves toward restructuring and competition on a national level.

"PSEG Power," Cassidy said, "will accept the Vice President's call for involved stakeholders to participate in developing the details of a comprehensive plan. We look forward to working with the Vice President, the Administration, industry, the environmental community, and Congress to put in placc a program that will produce meaningful emissions reductions on a timetable that will protect public health and foster development of a fair and robust competitive energy marketplace."

PSEG Power LLC was established last summer as a result of electric industry restructuring in New Jersey and is one of the world's largest independent power producing and energy trading companies. It is a subsidiary of Public Service Enterprise Group Incorporated (NYSE:PEG), a diversified energy holding company headquartered in Newark, NJ.

[illegible] R. Brown
Manager-Federal Affairs

PSEG Power LLC
80 Park Plaza, 16th Floor, Newark, NJ 07102-4194
tel: 973.430.6017 fax: 973.645.1243

PSEG
Power LLC

To: Roger Ballentine, Deputy Assistant to the President

From: Neil Brown, PSEG Power LLC

Date: April 21, 2000

Mr. Ballentine,

Attached is a draft of a news release we intend to release tomorrow in support of Vice President Gore's announcement.

Neil Brown

DRAFT

Wisconsin Electric
A WISCONSIN ENERGY COMPANY

Wisconsin Electric
122 C Street, NW - Suite 840
Washington, DC 20001
Phone 202 662-4340
Fax 202 662-4359

April 22, 2000

On this 30th anniversary of Earth Day, Wisconsin Electric strongly supports the Vice President Gore's innovative and practical approaches to addressing the environmental impacts of producing electricity.

In particular, Wisconsin Electric supports the need to look at environmental issues holistically. As a nation, we should set long term goals and then provide business the flexibility to determine how to best meet those goals. Encouraging greater capital stock turnover in the energy sector is a key component in this strategy. The vice president identified several key mechanisms for encouraging the modernization of our nation's fleet of power plants including the use of a comprehensive approach to addressing emissions, the use of market mechanisms to replace command and control regulation, and the involvement of all interested parties in setting policy direction.

Wisconsin Electric is nationally recognized for its approach to producing energy in an environmentally benign manner. The company has a strong commitment to renewable energy, as exemplified by its Energy for Tomorrow program, one of the largest green pricing programs in the country. The company has a long-standing commitment to diversifying its resource mix for electric generation and the wise use of energy.

Wisconsin Electric believes that environmental and economic issues cannot be separated. Solutions to environmental issues of the 21st century will require vision, flexibility, innovation and the willingness to enter into meaningful partnerships. Wisconsin Electric looks forward to further discussions with the vice president and others with a common interest who share our view.

Wisconsin Electric
A WISCONSIN ENERGY COMPANY

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Federal Government Affairs
Wisconsin Electric Power Company
Phone: (202)662-4340
FAX: (202)662-4359

FAX COVER SHEET

Date: April 21, 2000

To: Roger Ballantine

Comments: This is what we plan to post. Let me know if you see any problems

direct line 662-4341

From: Larry Bruneel

Number of Pages (including cover): 2

Eli G. Attie@OVP
04/21/2000 05:50:59 PM

Record Type: Record

To: George T. Frampton/CEQ/EOP@EOP, Roger S. Ballentine/WHO/EOP@EOP, Monica M. Dixon/OVP@OVP

cc:
Subject: revised earth Day

REMARKS BY VICE PRESIDENT AL GORE
EARTH DAY RALLY ON THE MALL
Saturday, April 22, 2000

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Back then, we could never have imagined the day when leaders of industry, leaders of the labor movement, and lifelong environmentalists could stand together and work together as they are now, for a cleaner, stronger America.

We have miles to go, but in these 30 years we have traveled far on this journey. We now have the cleanest air and water in a generation – in the midst of the single longest economic expansion in American history.

Some of you may remember the fierce criticism I received when I wrote "Earth in the Balance" almost a decade ago. I certainly remember the criticism. Well, let me tell you: I expected that criticism then, and I wear it as a badge of honor to this day.

When I wrote that book, I was relentlessly attacked for suggesting that America could end its reliance on the internal combustion engine.

Today, that's conventional wisdom not just at Earth Day celebrations, but in the heart of our auto industry. The big three auto markers are working on concept cars that run on water – with no greenhouse gas emissions at all.

They know that it's not extreme, but mainstream to champion cleaner fuels. And they know that protecting the environment is the right thing to do. It will create jobs, not destroy jobs. And it can save the Earth as we know it.

When it comes to our air, our water, and the Earth itself, we all have a responsibility to look not just to ourselves, not just to the politics or profit of the moment, but to future generations.

We have to make the next ten years the Environment Decade, in America and around the world. We have to stand against the apologists for pollution – those who believe in the old politics of environmental irresponsibility.

In the Environment Decade, we have to protect our forests, our rivers, and our public lands – so that families have places where they can hike and climb, and reach out toward the stars.

In the Environment Decade, we have to encourage smarter growth, and more livable neighborhoods – so every community can grow according to its own values, in a way that preserves its own precious character.

In the Environment Decade, we have to invest more in conservation, in renewable energy, and in fast-growing technologies that combat pollution.

In the Environment Decade, we must take decisive steps – not just in this country, but everywhere in the world – to reverse the rise in global warming.

As with the new generation of fuel-efficient vehicles, we can combat global warming in ways that create jobs – by pursuing a global market for new energy technology that is expected to reach $10 trillion in the next two decades.

In the Environment Decade, we need to enforce tough, realistic, achievable air quality standards -- to protect our children's health.

We are fighting for tough new standards to reduce smog and soot – because we will no longer accept an America where child asthma is on the rise.

But other dangerous toxins and pollutants still cloud our air – seeding the acid rain that threatens our forests and waters. Adding to global warming. And threatening human health. There are many sources of this pollution – including the nation's power-generating plants.

We can and we must work with the power industry to solve this problem – through a new and comprehensive approach. We don't want to micro-manage businesses. We have to set clear, enforceable performance goals, but we have to give industry the flexibility to meet them. We have to rely on market-based approaches like emissions trading – to make the free market a friend of clean air, not its enemy. And when utility companies improve their efficiency; when they use new, clean technology – we have to encourage them, not put barriers in their way. Because that is the way to cleaner air – while saving money and creating new jobs.

On this Earth Day, we welcome the bipartisan talks that are now taking place on Capitol Hill, and among environmental and industry leaders. The challenge is real and the solutions are not easy.

But together we can and will do what's right for our environment, because it is right for our children and America's future.

The issue involves all our lives – from the simple security of knowing that our drinking water is safe, to the more ominous change in our global climate.

One hundred years from now, when our great grandchildren gather to mark the first Earth Day of the next century, I want them to know that we were thinking of their time with the same vision, the same dedication, and the same commitment that we see here today on the Mall.

The earth is in the balance. Save it we can, and save it we must – for this is the great responsibility of our generation. Together, let's resolve to finish the journey. Thank you.

April 20, 2000

To: Team
From: Monica
Re: Outreach Plan of Earth Day Speech

Our outreach calls and assignments are outlined below. If you can help with outreach, please call the staff person responsible for the constituency to volunteer!

Environmental Community *[After 5:00 Friday]*	George Frampton
Utility Companies *[After 11:00 a.m.]*	Katie/Roger
Labor Calls *[After 11:00 a.m.]*	Bill Samuel/Donna/Tony
Members of Congress Positive and Negative (Attachment A) *[After 11:00 a.m.]*	Monica/Donna
State-wide Electeds Attachment B *[After 11:00 a.m.]*	Tony/Monica

Note: Please ask everyone responding positively to fax you a statement of support (then fax it to Dixon at 628-4336). Also, please report any folks willing to speak as validators.

Attached, please find:

A: Members of Congress
B: State-wide Electeds
C: Talking Points for Your Calls

Consumers: Minsk - Public Citizen?
Kimmelman
Dan Smith et al.

ATTACHMENT "A"

Daschle	Dixon
Reid	Dixon
Leahy (supportive)	Dixon
Baucus - EPW cmte	Dixon
Byrd	Ronna/Paul
Lautenberg (supportive)	Ronna/Paul
Dorgan	Ronna/Paul
Bingaman - Energy cmte	Ronna/Paul
Robb	Dixon
Bayh	Dixon
Edwards	Dixon
Rockefeller	Dixon
Breaux	Dixon
Boxer	Ronna/Paul
Kerry	Ronna/Paul
Graham	Dixon
Durbin	Dixon
Gephardt	Dixon
Bonior	Ronna/Paul
Gordon	Ronna/Paul
Dingell	GORE
Miller	Ronna/Paul
Allen	Ronna/Paul
Kucinich	Dixon
Waxman	Ronna/Paul
Wise	Ronna/Paul
Klink	Ronna/Paul
Evans	Ronna/Paul
Lowey	Ronna/Paul
McNulty	Ronna/Paul
Bentsen	Ronna/Paul
Boucher	Ronna/Paul
S. Brown	Ronna/Paul
M. Udall	Ronna/Paul
T. Udall	Ronna/Paul
Holden	Ronna/Paul
Kanjorski	Ronna/Paul
Mollohan	Ronna/Paul
Pallone	Ronna/Paul
Roemer	Ronna/Paul
Stabenow	Ronna/Paul
Visclosky	Ronna/Paul

Lieberman

Glendening

Cleland

(Add Tanner, Clement & Ford)

ATTACHMENT B

STATE-WIDE ELECTEDS

KY:	Patton	Audrey Haynes
AL:	Siegleman	Tony
GA:	Barnes	Tony (after Monica calls staff)
NC:	Hunt	Tony/Monica
MO:	Carnahan	Tony

ATTACHMENT "C" DRAFT

Talking Points

On [ ] will make an address on the environment which will include his vision as to the future of clean air regulation, focusing on the electric power generating industry . His statement will articulate how we can go about devising the next generation of clean air laws that will meet the combined objectives of cleaning our air, reducing greenhouse gases, and keeping our economy strong.

While not unveiling a detailed proposal, he will state some of the principles that should guide the design of such a law:

- **Rejecting the False Choice.** He believes we can balance critical environmental and economic priorities without sacrificing either.

- **Taking an Integrated Approach.** It simply doesn't make environmental or business sense to apply piecemeal regulations to separate pollutants. Both industry and environmentalists agree that the best approach is one that addresses all four relevant pollutants -- NOX, SO2, Carbon and Mercury – at the same time. Each pollutant must be controlled, but it is not fair to industry to pile on different regulations for each, one after the other. An integrated approach allows business managers to plan and innovate.

- **Treating All Power Plants the Same.** It's not fair to apply tougher rules to newer power plants than we do to older ones. Older plants should be subject to the same rules that every one else must live by.

- **Harnessing the Power of the Market.** By allowing industry to use the efficiencies of the market, we both maximize our environmental goals while minimizing costs. A "cap and trade" approach promises environmental results while giving business managers much-needed flexibility.

- **Moving Beyond "Command and Control".** In addition to a cap and trade approach, this vision calls for ending the current regulatory approach of micro-managing investment and technology decisions in exchange for real, longer-term environmental gains. (Relief from New Source Review regulations).

- **Responding to Market Shortcomings/Treating all Stakeholders Fairly.** While we must meet strong environmental goals, this vision recognizes that we need also to be prepared to provide needed incentives and encouragement for power producers to do the right thing and to provide any needed assistance to anyone left behind. Any future law must be constructed with the input of all stakeholders, and with consideration to any needed economic assistance or incentives.

We have had very encouraging preliminary conversations with industry, elected officials, labor and environmentalists. We are committed to working closely with all.

Additional Talking Points

In the coming months Al Gore will be expanding on the ideas introduced in his Earth Day speech. Among other things he will, as President, inaugurate the next generation of environmental regulation. Working from promising experiments such as Project XL, Al Gore will seek, as President, to base environmental regulation on sound and tough performance measures. The role of the goverment will be to set tough new standards for pollution of air, water and toxics. In return, businesses who produce pollutants will be allowed to use innovative technology and market mechanisms to meet overall pollution standards. This new approach will encourage innovation, decrease pollution and will gradually get the government out of micor managing business decisions. By allowing business a wide variety of tools to meet environmental challenges businesses will be better able to manage the transitions they need and to protect jobs and profits.

DRAFT

Q & A

Are you trying to shut down coal plants?

We are trying to meet important clean air goals. We are not dictating which plants make what specific changes. The companies will have flexibility to make the final decisions. Having said that, many old coal plants have not had to comply with the Clean Air Act for many years. Every one agrees that that was not the original intent of the law. We need to include all plants in the next generation of clean air law.

Won't this mean huge increases in utility rates?

Very unlikely, but again, this is a vision and not a detailed plan. It is impossible to pin dollar figures on this, but this approach is designed to maximize benefits and minimize costs. By giving utilities flexibility through market mechanisms, we expect minimal impact on prices. In addition, when considering the restructuring of the industry that is going on, this will also help keep rates low. Finally, when one factors in the estimated savings in health care costs (such as childhood asthma), we expect a very cost-effective result.

Is this just Al Gore panicking about climate change and trying to implement Kyoto?

Climate change is a serious threat and the American people expect their leaders to not shy away from taking tough action. This proposal is a serious response to that threat. But even if there was no concern about climate change, this vision is the right one. This approach is the best way to rid our air from harmful pollutants that cause asthma and other health problems; this approach is the best way to prevent the poisoning of our lakes and streams that is killing fish or rendering them inedible; this approach is the best way to clear the smog that plagues our cities and dirties our parks. As for Kyoto, only the Senate can ratify a treaty. As we said, there are many important reasons to do this.

Does labor support this?

We would intend to work closely with labor in any process.

Are you starting a process?

This is about a vision for the future. What we are doing is laying out what a process should and would look like.

Does the President support this? Why isn't he doing this?

We are announcing this as a candidate. We know that the President shares our views about the importance of these issues and about addressing them in a smart and fair manner.

How does this relate to the EPA enforcement actions? Are you saying that EPA's approach is the wrong one?

This has nothing to do with the current lawsuits. We fully support EPA's effort to enforce current law. This vision is about the future, not the past.

260-7400

Janet Anderson
06/08/99 12:37:57 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

cc:

Subject: utility mtg

Roger,
Meeting has been moved to the office here @3:30. If you come over 20 minutes early, we can go over background.

Expected attendees:

	Bill Tyndall	Cinergy
	Bill Greylis	Cinergy
	Kris McKinney	Wisconsin Electric
	Jeanette Pablo	TVA
	Patrick O'Keefe	TVA
	Karl Moor	Southern
	Steven Fotis	VanNess Feldman (TVA)
	Rich Rosenzweig	VanNess Feldman (TVA)
	Jeffrey Levine	Cauthen Assoc. (Southern)
??	Susan TomaskyAEP	

plus Julie, John and me (maybe Jeff)

VanNess Feldman and Cauthen are included because they have been very helpful in moving the ball ahead with the utility sector.

or "that do not have to meet any modern pollution-control standards.

Proposed insert to Saturday, April 22nd Earth Day speech

……And when it comes to clean air, we have more work to do. Asthma is on the rise, and more and more of our children are suffering its debilitating effects. The President and I called for tough new standards significantly to reduce the smog and soot. I pledge to fight hard to see that those standards will be enforced.

But even with those measures, there are other pollutants that increasingly are a cause for concern. Sulfur dioxide and nitrous oxides cause the acid rain that continues to pose a risk to our forests, lakes and streams. Mercury is a dangerous [neurotoxin? Contributor to birth defects? Needs to be checked]. And carbon dioxide is ~~by volume~~ the leading contributor to global warming. There are many sources of these pollutants. But, among the leading contributors are power plants, especially older, coal-fired facilities that are not fully covered by current regulations.

We need a comprehensive, integrated plan to take on all of these pollutants. And to get the job done, we will need a new and creative approach. Instead of going at these issues in an uncoordinated, piece-meal way that slows progress and unnecessarily increases ~~costs,~~ we need to bring all of them together into one coherent plan. We should set tough performance goals ~~instead of dictating technology choices~~ without micro-managing business decisions. We should harness the power of ~~the~~ market ~~and put so-called "cap and trade"~~ mechanisms ~~to work that have been shown~~ to reduce pollution much more quickly and cheaply than traditional approaches. And importantly, we should ~~ensure continuous improvement of environmental performance by~~ encouraging utilities ~~constantly~~ to upgrade their facilities with the new~~est~~, clean~~est~~ technology, rather than putting hurdles in the way and discouraging improvements as older approaches sometimes have done.

Step

This kind of plan—one based on the best science; one that focuses on performance and harnesses cutting edge technology; one that delivers the best results at the cheapest cost—is what I've worked hard to achieve through our Reinventing Government efforts. We have tough challenges, yes. But, we can build a cleaner *and* more prosperous America if we are creative innovative and pull together in this way.

such

all four of these

~~ADD: Stakeholder process~~!

To achieve these goals, we need to engage all the stakeholders in a process of consultation so that we have a plan that can be enacted.

Subj: **updated language**
Date: 4/20/00 1:54:04 PM Eastern Daylight Time
From: kathleen.mcginty@troutmansanders.com (McGinty, Kathleen A.)
To: eliattie@hotmail.com ('eliattie@hotmail.com'), makamarck@aol.com ('makamarck@aol.com'), mdixon331@aol.com ('mdixon331@aol.com'), timmstar2000@aol.com ('timmstar2000@aol.com')

folks--the following includes initial comments from elaine, monica, george and roger (and some hints from industry):

......And when it comes to clean air, we have more work to do. Asthma is on the rise, and more and more of our children are suffering its debilitating effects. The President and I called for tough new standards significantly to reduce the smog and soot. I pledge to fight hard to see that those standards will be enforced.

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We need a comprehensive, integrated plan to take on all of these environmental problems. And to get the job done, we will need a new and creative approach.
Instead of going at these issues in an uncoordinated, piece-meal way that slows progress and unnecessarily increases costs, we need to bring all of them together into one coherent plan. We should set tough performance
goals without micromanaging business decisions. We should harness the power of market mechanisms to reduce pollution much more quickly and cheaply than traditional approaches. And importantly, we should encourage utilities constantly to upgrade their facilities with new,
clean technology, rather than putting hurdles in the way and discouraging improvement as older approaches sometimes have done.

This kind of plan-one that focuses onperformance and harnesses cutting edge technology; one that delivers the
best results at the cheapest cost-is what I've worked hard to achieve through our Reinventing Government efforts. I am encouraged by the bipartisan discussions occuring along these lines on Capitol Hill and among environmental and industry leaders. We have tough challenges, yes. But, we can build a cleaner and more prosperous America if we are creative, innovative and pull together in this way.

Southern
AEP
TVA
Synergy
Tampa Electric
WEPCO (WISC)

Unicom (Chicago)
Sempra (CA)
PSEG (NJ)
Niagra Mohawk
PG+E

---------------- Headers ----------------------
Return-Path: <kathleen.mcginty@troutmansanders.com>
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id xma012205; Thu, 20 Apr 00 13:31:22 -0400
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id <HL735JGV>; Thu, 20 Apr 2000 13:54:35 -0400
Message-ID: <805B5AC3A700D3118DAF00508B2C229A54017C@DCAFS1>
From: "McGinty, Kathleen A." <kathleen.mcginty@troutmansanders.com>
To: "'eliattie@hotmail.com'" <eliattie@hotmail.com>,
"'makamarck@aol.com'"
<makamarck@aol.com>,
"'mdixon331@aol.com'" <mdixon331@aol.com>,
"'timmstar2000@aol.com'" <timmstar2000@aol.com>
Subject: updated language
Date: Thu, 20 Apr 2000 13:54:27 -0400
X-Mailer: Internet Mail Service (5.5.2650.21)

Comments

Talking Points

4/21/2000 8:55 AM

On Earth Day, the Vice President will make an address on the environment which will include his vision as to the future of clean air regulation, focusing on the electric power generating industry . His statement will articulate how we can go about devising the next generation of clean air laws that will meet the combined objectives of cleaning our air, reducing greenhouse gases, and keeping our economy strong. While not unveiling a detailed proposal with specific time lines or metrics, he will outline the principles that should guide the design of such a law:

- **Responding to Market Shortcomings/Treating all Stakeholders Fairly.** While we must meet strong environmental goals, this vision recognizes that we need also to be prepared to provide needed incentives and encouragement for power producers to do the right thing and to provide any needed assistance to anyone left behind. Any future law must be constructed with the input of all stakeholders, and with consideration to any needed economic assistance or incentives.

- **Rejecting the False Choice.** He believes we can balance critical environmental and economic priorities without sacrificing either.

- **Taking an Integrated Approach.** It simply doesn't make environmental or business sense to apply piecemeal regulations to separate pollutants. Both industry and environmentalists agree that the best approach is one that addresses all four relevant pollutants -- NOX, SO2, CO2 and Mercury – at the same time. Each pollutant must be controlled, but it is not fair to industry to pile on different regulations for each, one after the other. An integrated approach allows business to plan and innovate.

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Q & A

4/21/2000 9:05 AM

Are you trying to shut down coal plants?

No. In fact, this vision reflects the approach many of the biggest utilities themselves have acknowledged as the best way to proceed.

We are trying to meet important clean air goals. We are not dictating which plants make what specific changes. The companies will have flexibility to make the final decisions as well as the freedom to undertake technological innovations. Having said that, many old coal plants have not had to comply with the Clean Air Act for many years. Every one agrees that that was not the original intent of the law. We need to include all plants in the next generation of clean air law. In addition, everyone acknowledges that these old plants will be phased out and replaced with newer, cleaner technologies; it is simply a question of when.

Won't this mean huge increases in utility rates?

Very unlikely, but again, this is a vision and not a detailed plan with specific time-lines and metrics. It is impossible to pin dollar figures on this, but this approach is designed to maximize benefits and minimize costs. By giving utilities flexibility through market mechanisms, we expect minimal impact on prices. In addition, when considering the restructuring of the industry that is going on—and that Congress can complete by passing the Administration's restructuring bill, which will save consumers $20 billion per year – we are confident that we will keep rates low. Finally, when one factors in the estimated savings in health care costs (such as childhood asthma), we expect a very cost-effective result.

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Climate change is a serious threat and the American people expect their leaders to not shy away from taking tough action. This proposal is a serious response to that threat. But even if there was no concern about climate change, this vision is the right one. This approach is the best way to rid our air from harmful pollutants that cause asthma and other health problems; this approach is the best way to prevent the poisoning of our lakes and streams that is killing fish or rendering them inedible; this approach is the best way to clear the smog that plagues our cities and dirties our parks. As for Kyoto, this is obviously not "pre-implementation" of Kyoto, because this vision calls for legislation that only Congress can enact. Further, only the Senate can ratify a treaty. As we said, there are many important reasons to do this that have nothing to do with Kyoto.

Is the Vice President backing away from Kyoto?

The Vice President remains fully committed to Kyoto and looks forward to completing the work begun there and ensuring a treaty that is fair and effective.

Does labor support this new "vision"?

We would intend to work closely with labor in any process.

Are you starting a such a process?

This is about a vision for the future. What we are doing is laying out what a process should and would look like.

Does the President support this? Why isn't he doing this?

This is the Vice President's vision. Having said that, we know that the President shares our views about the importance of these issues and about addressing them in a smart and fair manner.

How does this relate to the EPA enforcement actions? Are you saying that EPA's approach is the wrong one?

This has nothing to do with the current lawsuits. We fully support EPA's effort to enforce current law. This vision is about the future, not the past.

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4/21/2000 8:55 AM

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Q & A

4/21/2000 9:12 AM

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Q & A

4/21/2000 9:12 AM

Are you trying to shut down coal plants?

No. In fact, this vision reflects the approach many of the biggest utilities themselves have acknowledged as the best way to proceed.

We are trying to meet important clean air goals. We are not dictating which plants make what specific changes. The companies will have flexibility to make the final decisions as well as the freedom to undertake technological innovations. Having said that, many old coal plants have not had to comply with the Clean Air Act for many years. Every one agrees that that was not the original intent of the law. We need to include all plants in the next generation of clean air law. In addition, everyone acknowledges that these old plants will be phased out and replaced with newer, cleaner technologies; it is simply a question of when.

Won't this mean huge increases in utility rates?

Very unlikely, but again, this is a vision and not a detailed plan with specific time-lines and metrics. It is impossible to pin dollar figures on this, but this approach is designed to maximize benefits and minimize costs. By giving utilities flexibility through market mechanisms, we expect minimal impact on prices. In addition, when considering the restructuring of the industry that is going on—and that Congress can complete by passing the Administration's restructuring bill, which will save consumers $20 billion per year – we are confident that we will keep rates low. Finally, when one factors in the estimated savings in health care costs (such as childhood asthma), we expect a very cost-effective result.

Is this just Al Gore panicking about climate change and trying to implement Kyoto?

Climate change is a serious threat and the American people expect their leaders to not shy away from taking tough action. This proposal is a serious response to that threat. But even if there was no concern about climate change, this vision is the right one. This approach is the best way to rid our air from harmful pollutants that cause asthma and other health problems; this approach is the best way to prevent the poisoning of our lakes and streams that is killing fish or rendering them inedible; this approach is the best way to clear the smog that plagues our cities and dirties our parks. As for Kyoto, this is obviously not "pre-implementation" of Kyoto, because this vision calls for legislation that only Congress can enact. Further, only the Senate can ratify a treaty. As we said, there are many important reasons to do this that have nothing to do with Kyoto.

Is the Vice President backing away from Kyoto?

The Vice President remains fully committed to Kyoto and looks forward to completing the work begun there and ensuring a treaty that is fair and effective.

Does labor support this new "vision"?

We would intend to work closely with labor in any process.

Are you starting a such a process?

This is about a vision for the future. What we are doing is laying out what a process should and would look like.

Does the President support this? Why isn't he doing this?

This is the Vice President's vision. Having said that, we know that the President shares our views about the importance of these issues and about addressing them in a smart and fair manner.

How does this relate to the EPA enforcement actions? Are you saying that EPA's approach is the wrong one?

This has nothing to do with the current lawsuits. We fully support EPA's effort to enforce current law. This vision is about the future, not the past.

REMARKS BY VICE PRESIDENT AL GORE
EARTH DAY 2000
Friday, April 21, 2000

Thank you, Mark *[Gustafson]*, for helping to lead us toward a generation of trucks that will be cleaner, more fuel-efficient, and more competitive as well.

I have worked on environmental causes for more that two decades now. But in all my years of work on this issue, I have never seen a more hopeful sight that the crowd that is gathered here today.

Standing with us are captains of industry; labor leaders and working men and women; Teamsters and auto workers; lifelong environmentalists.

Ten years ago, if you'd told me you were assembling this crowd, I'd have thought it was an episode of Crossfire.

We've come a long way. Today, we're not shouting at one another – we're standing shoulder to shoulder, working together, meeting our responsibility, doing the right thing.

To see how we have come together, for our economy and for our environment – to see how former adversaries are working together, and planning together, for a cleaner and stronger future – all this gives me a sense of renewed optimism for our country and for our environmental future.

The people in this room have shown that if we make the right investments – if we make the responsible choices – we don't have to choose between the economy and the environment.

Look at the past seven years. We're cleaning up the great American rivers. We've speeded up toxic waste clean-ups. We've worked with industry to strengthen the public's right to know about chemicals released into their air and water. America is taking strong measures on its own to fight global warming.

Our environment is cleaner than it has been in a generation. At the same time, we have entered the longest period of economic growth in our entire history. America has almost 21 million new jobs. Here in Detroit, you can be proud that after fourteen years of trailing Japan, America has led the world in car and truck production for six years in a row.

Today, we take the next great step forward – to create good new jobs for American families; to keep pollution out of our air and water; and to reduce our dependence on foreign oil at the same time.

It has been seven years since we first joined with the leading auto makers to create the Partnership for a New Generation of Vehicles. Our goal was to work with the best manufacturers to come up with vehicles up to three times more efficient than what we had then -- with no sacrifice in performance, safety, or cost.

From the beginning, this partnership was designed to make our auto industry even more competitive in world auto markets. And it will.

As I announced last month, we can now look forward to a date in the next three or four years when cars with far greater fuel efficiency will be mass-produced, and on the showroom floors, being bought by American families.

We can also look forward to the day when families will be able to buy cars with remarkable new fuel cell technology – engines that run on water, and are likely to increase fuel efficiency by 400 percent. These vehicles will create no greenhouse gas emissions at all -- and the concept cars at this year's auto show not only got over 100 miles per gallon, they can drive for 500 miles without re-fueling.

Starting next year, we're going to expand this research partnership to place a greater focus on how we can produce cleaner and more fuel-efficient SUV's as well as cars.

Today, we take another important step toward a cleaner, stronger future. Together with the nation's leading manufacturers of heavy trucks and truck components, we are launching a new 21st Century Trucks Initiative – to dramatically improve fuel efficiency and reduce emissions from America's heavy trucks and buses.

Through the hard work of all the people in this room, we believe we can double the fuel economy of an eighteen-wheeler by 2010. And we believe we can triple the fuel economy of heavy pick-up trucks and large delivery vans in that same period.

This new partnership will save businesses, truckers, and taxpayers billions of dollars a year in reduced fuel costs -- while cleaning the air and helping to combat global warming.

And the United States Army, which owns a quarter of a million trucks and buys them for all our armed forces, will be a strong and central partner in developing the new technologies, in buying them, and in putting them on the road. In fact, since more efficient military trucks can go a lot farther without refueling, this partnership will increase our Army's fighting strength.

Just as importantly, by investing in these energy-efficient trucks and technologies – by encouraging their purchase and their use – we can cut America's reliance on foreign oil, which will mean lower prices at the gas pump, not just in the near-term, but in the long-term.

This new partnership pursues a strategy against pollution that must reach across our economy, and all around the world in the coming years. A strategy that sees people as allies, not adversaries, in meeting environmental challenges. An approach that builds upon our responsibilities to one another – to the air, the water, and the land that we hold in common, across borders and across the generations.

It continues a journey that many of us have made for many years now. I remember one part of my own journey a decade ago, in a different kind of vehicle – one that moves just a bit faster than today's showroom models.

The trip was on the U.S.S. Pargo – a nuclear submarine that traveled under the Arctic ice sheet all the way from Greenland to the North Pole.

When we reached the pole, the sub broke through the summer icepack – and as I climbed through the hatch, I caught my first glimpse of the North Pole. The light was stunningly bright; clouds of ice crystals sparkled in the frozen air.

That submarine was part of a U.S. fleet patrolling secret routes under the ice – routes that took our subs and missiles close to the former Soviet Union's northern border. In the process, the Navy had been collecting data about the thickness of the ice cap – merely to identify spots where subs could break through the ice.

Most of the information that was gathered had no national security purpose – so it was recorded and stored, but never examined or analyzed. It was "exformation" – it existed, but no one knew what it said.

As that submarine returned from the pole, deep beneath the ice, it occurred to me that if we shared this data with scientists, we could map a timeline of the ice cap, and the effects of global warming.

When I returned to Washington, I began to discuss the idea with our military and intelligence agencies. One hundred top environmental scientists gained top-secret clearance to review the data, and scrub it of anything that could compromise our national security. Later, as Vice President, I held a conference with Russian government officials and scientists, where both sides agreed to share our scrubbed data about the Arctic – as well as previously-secret sonar and satellite data about the northern oceans.

The results were startling. We learned that the Arctic ice cap had thinned by 40 percent since the 1970's – a story that made headlines all over the world. The loss has averaged four inches a year for the past decade.

When I first started working on this issue more than two decades ago, this information was accumulating – but no one had ever seen it. It was easier to make excuses, to ignore the threat altogether, or to attack the messenger.

Now it is increasingly clear that global pollution risks not only our quality of life, but the very fabric of life itself.

Each generation of Americans has its own unique challenge, its own special responsibility.

In this decade, in this generation, we have been given one of the greatest responsibilities of all: saving the environment -- not just for ourselves, not just for our children, but for generations far into the future.

I believe we have to make the next ten years the Environment Decade, in America and around the world.

I believe we can and must turn the tide against pollution and global warming. And the people standing here today are proving that we can save our environment and safeguard human health – while sustaining our economy as the strongest in the world.

We know there are still powerful apologists for pollution – despite the new partnerships we are forging together. Some will always argue that pollution is the inevitable price we pay for our prosperity.

That is false; and even worse, it invites and excuses a politics of environmental irresponsibility. A lot of us have been fighting against this irresponsibility for a long time.

I remember the fierce criticism I got eight years ago, when I wrote "Earth in the Balance." I expected that criticism then, and I wear it as a badge of honor today.

The critics rushed to assail the idea that we could create cleaner, more efficient cars, and end our dependence on the internal combustion engine over a period of, say, 25 years.

We were told that this process would mean an end to the auto industry. In fact, we all know now that it will mean new, more efficient, more competitive cars and trucks; it will mean new jobs for Michigan, and new business for America.

So let me say to the critics on this issue: the people in this room – the workers, the manufacturers, and the business leaders of Michigan – are proving that the skeptics were wrong.

And I have an admission to make. I was wrong, too, when I thought we could end our reliance on the internal combustion engine in 25 years. Because of our work together, we can do it in <u>less</u> than 25 years – while preserving and creating good jobs.

That is why the companies here today are investing so heavily in cleaner, more efficient engines. They know it's a smart investment. By seeing to it that America leads the growing market for cleaner cars and trucks with lower gas mileage, we will create jobs, not destroy them – good union jobs for Teamsters, for the UAW, and for all working Americans. We will strengthen industry, not weaken it. We will sell more to the world, not less.

We have heard – and in the months ahead, I'm sure we will hear – every possible scare tactic on this issue. But we will not give in, and we will not back down.

It is not extreme but mainstream to champion cleaner fuels, and energy efficiency. It's the right thing to do – and it's the responsible thing to do.

When it comes to our air, our water, and the Earth itself, we all have a responsibility to look not just to ourselves, not just to the politics of the moment, but to future generations.

This weekend, we mark the 30th anniversary of the first Earth Day – and the first Earth Day of the 21st Century.

Earth Day has always been a recognition of our most powerful common link, the air, the water, and the planet we share. This year, on this Earth Day, let us renew our resolve to meet our responsibility –

To achieve strong and sustainable growth that does not undermine human health, or disrupt the climate of the world.

To forge a future where none of our children have to worry whether the water they drink or the air they breathe is safe and pure.

To create a more livable America -- where there are parks and open spaces, instead of endless, cookie-cutter sprawl; where families can walk and bike and play together; where a clean environment and a high quality of life are a source of security, dynamism, and hope for the future.

In the Environment Decade, we must form partnerships with every industry – just like the ones here today, which will produce fuel-efficient trucks that the critics said could never be made.

In the Environment Decade, we have to make the free market the friend of the environment, not its enemy – and the clearest examples are our partnerships for cleaner cars and trucks.

In the Environment Decade, we have to invest more in conservation, in renewable energy, and in fast-growing technologies that combat pollution.

In the Environment Decade, we need to enforce tough, realistic, achievable standards to reduce smog and soot, and protect our children's health.

In the Environment Decade, we have to expand the right to know to every area where pollution of any kind threatens public health. As we work to clean up abandoned Brownfields and toxic waste sites, parents need to know if a street-corner is unsafe – or if poisonous chemicals can lead to sickness and disease.

In the Environment Decade, we have to protect our forests and our rivers and our precious public lands – so that families have places where they can hike and climb, and reach out toward the stars.

In the Environment Decade, we have to encourage smarter growth, and more livable neighborhoods – so every community will have the chance to grow according to its own values, in a way that preserves its own character.

In the Environment Decade, we must also meet persistent global environmental challenges. We must continue to ban the chemicals that eat away at our ozone layer and expose us to dangerous, cancer-causing ultraviolet rays. If we face this challenge head-on, we have the prospect of completely closing the ozone hole over Antarctica over the next two generations.

And in this time, we must take decisive steps – not just in this country, but everywhere -- against global warming. I believe we have to ratify the Kyoto agreement, which would commit America to significantly reducing greenhouse gas emissions.

I know we don't yet have a consensus on this issue -- and that many in this room may still have disagreements. I feel very strongly that we must move forward. But I pledge to you today: I will work with all of you, to move forward in a way that is good for our economy, good for our environment, and good for the entire world.

We must ensure that all developed and developing nations are committed to doing their part. And I believe we can combat global warming in a way that creates jobs – by aggressively pursuing a global market for new energy technology that is expected to reach \$10 trillion in the next two decades.

I know these challenges are not easy. And for me, they have never been without controversy. More than a decade ago, when I set out to write "Earth in the Balance," I was warned not to do it; that it was politically foolish to make so clear a commitment to environmental protection, written down in black and white, for all to see.

But for me, a commitment to the environment has always run deeper than politics. We have to do what's right for our environment, because it involves all of our lives – from the simple security of knowing that our drinking water is safe, to the more ominous thinning of the ice caps at the top of the Earth.

One hundred years from now, when our great grandchildren gather to mark the first Earth Day of the 22nd Century, I want them to know that we were thinking of their time with the same vision, the same dedication, and the same commitment that we applied to our own time.

I want them to know that their future meant more to us than the irresponsible pursuit of short-term gain.

For the earth <u>is</u> in the balance. Save it we can, and save it we must – for this is the great responsibility of our generation. Now let us resolve to finish the job. Thank you.

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Tuesday, April 4, 2000

Anadarko, UPR Combine To Form U.S. Gas Giant

BY HOWARD BUSKIRK

Anadarko Petroleum Corp., already one of the biggest among independent oil and gas producers, got considerably larger Monday, agreeing to buy Union Pacific Resources Group Inc. for $4.43 billion in stock.

The merger is being viewed as part of the ongoing consolidation of oil and gas producers, with many similar deals likely to follow.

The new company—to retain the Anadarko Petroleum name and that company's Houston headquarters—will be a heavyweight among U.S. independents, with a total capitalization of $10 billion.

The new company will be ranked sixth among producers for North American gas production and fifth for gas reserves. Sources said UPR's assets—mostly natural gas fields in the Rocky Mountains region and in Western Canada—were a natural fit with Anadarko's international and domestic holdings.

"Clearly, UPR has got some very strategic holdings that would fit perfectly with Anadarko's onshore and offshore leases," said one producer source. "It's just

(Continued on page 2)

CO2 On The Table

Utilities Weighing Comprehensive Deal On Emissions Cuts

BY CHRIS HOLLY

In what could be the beginning of a major breakthrough on contentious air quality issues, electric utility officials, environmentalists and state regulators met last week with Senate staffers to discuss a comprehensive approach to pollution reduction that could result in legislation requiring sharp cuts in utility emissions over a period of eight to 15 years.

At a March 29 meeting with members of the Senate Environment and Public Works Committee staff, utility officials said potential elements of a comprehensive approach could include reductions in emissions of sulfur dioxide (SO_2), nitrogen oxides (NO_x), carbon dioxide (CO_2) and mercury over a 15-year time line or longer, sources told *The Energy Daily* Monday.

In exchange for agreeing to the reductions, utilities would receive "regulatory certainty" in the legislation that no new, additional emission reduction mandates would be imposed on utilities. Utilities also would have flexibility in meeting the emissions cuts, including emissions trading to help reduce the cost of compliance.

In addition, the federal government would have to provide significant incentives to utilities to encourage the reductions. The incentives could include accelerated depreciation for control technologies, non-bypassable wires charges to help offset costs of controls, dedicated investments in low-emission generation technologies and tax breaks.

Utilities have been working quietly on the idea of a comprehensive approach to emissions reduction for at least a year. They met in December with Sen. Bob Smith (R-N.H.), who chairs the environment panel, and have held meetings with environmentalists on the issue. But the March 29 meeting was the first to bring together

(Continued on page 2)

Con Ed, NRC Grapple With Fallout From Indian Point 2 Incident

BY TINA DAVIS

It may not have resulted in any significant radiation release, but Consolidated Edison Inc. and the Nuclear Regulatory Commission are still dealing with the fallout from the February 15 steam generator tube leak at the utility's Indian Point Unit 2 nuclear power plant.

More than two months after alarm bells went off at the Westchester County, N.Y., plant, Con Ed and NRC are scrambling to answer questions raised by state lawmakers and antinuclear groups about safety management at Indian Point.

Further, Con Ed is facing state legislation that seeks to hinder the company's ability to recover costs related to the incident, which shut down the plant.

The legislation would bar the company from recovering the cost of electricity it must buy on the open market to replace the power generated by the 931 megawatt plant—a $600,000 per day cost that could add $2 on average to every Con Ed customer's monthly bill.

The legislation was approved by the New York State Assembly last week and on Monday the state Senate's Energy and Telecommunications Committee sent the bill to the Senate floor for a vote.

(Continued on page 4)

Gas Giant Formed...

(Continued from page one)

the right size for Anadarko. UPR was something they could easily afford to buy."

UPR had been cutting costs, including the pending closure of its Washington office, which made the company look ripe for a takeover, sources said.

Talks had been underway between the two producers since February and the companies hope to close the merger this summer.

Bob Allison, long-time chief executive of Anadarko, will serve as chairman and CEO of the newly merged company. His counterpart at UPR, George Lindahl, a newcomer to the CEO ranks, will hold the vice chairman title.

Allison and Lindahl told analysts Monday combining the companies will help both take full advantage of the opportunities presented by their individual holdings.

Both companies have been weighted with debt and the new company will carry $4.1 billion in debt.

"The balance sheet will be considerably stronger than either company had individually," Allison said. "The bottom line on financial issues is that the combined company will have the cash flow and the financial strength to aggressively fund the opportunities we have in this beautiful portfolio."

Allison stressed that the merger, which is expected to be immediately accretive to earnings, probably will lead to few layoffs or cost savings.

"We probably will find some non-core assets that we will sell, but we haven't zeroed in on those yet," Allison said. "As far as headcount is concerned...this is a complementary merger. This is synergistic....It is not driven by cost savings. Certainly there will be some cost savings and some job cuts, but I think that will be pretty darn minor."

"The combination of not just getting bigger but making the best company was real important," Lindahl said during the same conference call. "We bring to the table cash flow, exploitation skills, good acreage and gas exposure. Anadarko brings the exploration...and the balance sheet help."

Anadarko, once primarily a natural gas producer, has become more of an oil company in recent years, largely as a result of major oil discoveries in Algeria, the Gulf of Mexico and Alaska. About 53 percent of its reserves are oil.

Deal On Emissions Cuts...

(From one)

a significant cross-section of stakeholders with congressional staff to talk about a legislative approach.

"We see the potential advantages of a comprehensive approach and are talking to stakeholders about the idea of this kind of solution," Paul Bailey, vice president for environmental affairs, told *The Energy Daily*.

While the Environmental Protection Agency first broached the idea of a comprehensive approach five years ago with its Clean Air Power Initiative (CAPI), the idea got nowhere because the industry was skeptical that the agency would keep its promise that no new emission mandates would come down the pike after they agreed to make major emission cuts.

"The overwhelming idea for us is that it has to be done legislatively to give us the kind of certainty that we need," a utility industry official said.

This official and others agreed that the opportunity for a compromise is greater than ever before because utilities are under the twin pressures of increasing environmental regulation and the unfamiliar stresses of competing with each other and non-utility generators in the wholesale power market.

What's more, all the stakeholders agree that the regulatory status quo is not working. No less than six of EPA's air quality regulatory initiatives, addressing everything from fine particles to air quality standards for ozone to regional haze, are tied up in federal court.

Utilities face a host of regulatory initiatives on SO_2, NO_x, particulates and regional haze. Mercury and CO_2 regulation are not far behind.

"It just made more sense to try to find an integrated solution to all these new and pending requirements," another industry official said.

When Smith took over the chairmanship a few months ago, he announced that one of his major priorities was crafting legislation containing an integrated approach to reducing air pollution. For Smith, the timing of the stakeholders' interest in a solution couldn't be better.

"We are seeing some very animated stakeholders when it comes to the notion that there are problems with the current system and there has to be a better way to do it," a senior Smith staffer said. "What is interesting is how startlingly close the stakeholders are on the core elements of a comprehensive approach."

According to sources attending the meeting, presentations were made by utility representatives of the Edison Electric Institute and by senior officials of the Clean Energy Group, which comprises eight Northeast utilities, and the Clean Air Task Force, an environmental organization that lobbies state and federal authorities on clean air issues.

While EEI officials say no hard numbers on emissions cuts have been discussed, the Clean Energy Group, composed of Consolidated Edison, Niagara Mohawk Power, PECO Energy, PG&E Generating, KeySpan Energy, Northeast Utilities, Public Service Electric & Gas and Sempra Energy, gave a presentation on a familiar proposal they first unveiled during on-again, off-again discussions on new source review reform.

Under the "strawman" proposal, utilities would agree to stringent, national declining tonnage caps for NO_x, SO_2, CO_2 and mercury. The program calls for stabilization of CO_2 emissions at 1990 levels by 2008 while mercury would have to be cut by 50 percent by 2008 and by 70 percent to 90 percent by 2012. SO_2 would be cut by 50 percent beyond levels established in Phase II of the Acid Rain Program while utilities would have to meet an 85 percent reduction in NO_x by 2003 and another 50 percent cut by 2008.

In return for these impressive requirements, the utilities would get assurance in legislation that no new requirements would be forthcoming for some years after the final deadline in the program.

"The one pollutant that probably has the ability to derail the initiative is CO_2," said Michael Bradley, executive director of the Clean Energy Group. "It's probably the most important pollutant in the mix because it has the largest business impact, but it is going to be the hardest to have agreement on."

Bradley added that the extent of flexibility allowed utilities "is going to be a crucial topic, since companies view these sorts of targets as more achievable if there is a higher degree of flexibility allowed."

White House Climate Change Task Force

734 Jackson Place, N.W. · Washington, DC 20503

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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

March 18, 2000

DETAILS OF THE CLINTON/GORE ACTIONS TO ENHANCE AMERICA'S ENERGY SECURITY

Energy-Efficiency Enhances Energy Security And Strengthens The Economy: The strong performance of our economy over the past year, despite oil price rises, underscores the dramatic improvements in energy efficiency and reliability over the past quarter century. While past oil shortages have taken a significant toll on the U.S. economy, the recent increases in oil prices have yet to have a major impact on the U.S. economy. Increased energy efficiency – in cars, homes, and manufacturing – has helped insulate the economy from these short-term market fluctuations. In 1974, we consumed 15 barrels of oil for every $10,000 of gross domestic product. Today we consume only 8 barrels of oil for the same amount of economic output. But we can do even better.

President Clinton And Vice-President Gore Today Announced Important Steps To Promote Energy Security & Efficiency In America. These Steps Include:

- **I. Establishing A Regional Home Heating Oil Reserve:** The President remains concerned about the effect that future shortages of home heating oil may have on consumers of home

What's New - March 2000
Women's History Month 2000
The Minimum Wage: Increasing the Reward for Work
New Medicare Prescription Drug Benefit
Meeting with Religious Leaders
Women's History Month
New Public Private Initiative to reduce Weather Related Air Travel Delays
Gun Violence
Agreement with Smith & Wesson
Restoring
Colorectal Cancer Awareness Month
American Red Cross Month
Prescription Drug Plan
U.S. - China WTO Accession Deal
Common Sense Gun Laws
Irish-American Heritage Month

heating oil, particularly in the Northeast and New England. In order to reduce the likelihood that future shortages will harm consumers, the President will:

- *Support The Establishment of a Regional Reserve:* The President supports the creation of a home heating oil reserve with an appropriate trigger in the Northeast to combat future product shortages. In the event of home heating oil shortages, heating oil can be sold from the reserve in order to increase the supply on the market.
- *Direct DOE To Undertake Necessary Environmental Reviews:* The President has directed the Department of Energy to begin the appropriate environmental reviews for the creation of a home heating oil reserve in the Northeast.
- *Call on Congress to Establish Reserve Through Legislation:* The President calls on Congress to pass legislation that authorize the creation of a regional product reserve, and includes an appropriate trigger. The President reserves his right to establish a reserve under his existing authority, subject to the outcome of the environmental reviews, in the event that Congress fails to act.

- **II. Reauthorizing the Strategic Petroleum Reserve:** Current authorization to operate the Strategic Petroleum Reserve expires on March 31st, even as OPEC oil ministers will be meeting in Vienna to discuss production quotas. In order to ensure that the President maintains the ability to use all available tools to respond to the needs of the United States economy, he will call on Congress to immediately reauthorize Titles I and II of the Energy Policy and Conservation Act, which authorize the Strategic Petroleum Reserve and the International Energy Program at the Department of Energy.

- **III. Enacting A Comprehensive Tax Incentive Package:** In order to insulate the economy from the effects of future energy price increases, the United States needs comprehensive and balanced package of tax incentives. This

Civilian Research and Development
Patient's Bill of Rights
Joint Statement by President Clinton and Prime Minister Tony Blair of the UK
Vaccines to Developing Countires
Human Genome Project
Information Age
Semi-Finalists for 2000-2001 White House Fellowships
President Clinton Urges Congress to Pass Budget
Congressional Budget Resolution
Save your Vision Week
St. Patrick's Day, 2000
Clinton/Gore actions to Enhance America's Energy Security
Social Security Trustees Report - March 30, 2000
Strengthen America's Energy Security
Report Shows Unprecedented Progress
Proclamation: Cancer Control Month, 2000
National Poison Prevention Week
Education and

comprehensive approach includes support for domestic oil producers to reduce our reliance on oil imports and must include incentives to continue expanding renewable energy and increasing the energy efficiency of our economy. These tax proposals are either paid for in the President's budget or will be paid for with offsets.

- **A. Preserving Productive Capacity of the Domestic Oil Industry:** In addition to calling for steps to decrease our demand for oil through increased efficiency, the President is proposing new steps to support new domestic exploration and production, and to lower the business costs of producers when oil prices are low. These tax proposals will cost less than $1 billion over ten years. The Administration will also continue examining opportunities to preserve marginal well production.
  - **Support New Domestic Exploration and Production:** Major technological advances in oil exploration, such as three- and four-dimensional seismic drilling, are helping us to find more oil, at greater depths, on and off-shore. At the same time, these technologies have reduced the environmental footprint left by exploration and production to 1/10th the size it was 25 years ago. We need to encourage the use of these advanced technologies at the same time we support exploration for oil and gas.
    - Expensing of Geological and Geophysical Costs: The President is proposing to support domestic exploration and production by adjusting the treatment of the costs of exploration and development -- geological and geophysical costs -- in the tax code. Under current law, geological and geophysical costs may be deducted in current year if exploration activity was

Education and Sharing Day, U.S.A., 2000

Greek Independence Day

Proclamation: National Child Abuse Prevention Month, 2000

Statement by the President on NPT

Common Sense Gun Legislation

Raising the Minimum Wage

U.S. --China WTO Accession Deal

U.S.- China WTO Agreement

Enforcement of The U.S. - China WTO Accession Deal

unsuccessful, but must be capitalized if the exploration activity was successful. By allowing the industry to expense these costs, we will be encouraging the discovery of new reserves. The Department of Energy estimates that G&G will add 126,000 barrels of oil a day to domestic production.

- **Allowing Expensing of Delay Rental Payments:** A "delay rental payment" is an amount paid by a lessee to the lessor of a petroleum resource when the lessee does not begin producing commercial quantities of oil or natural gas as soon as was agreed to. The delay rental payment is intended to compensate the lessor for the royalties he does not receive while production is delayed. Currently, the Federal tax code requires delayed rental expenses to be capitalized to the depletable base of the property to which they relate if the property is being held for development. Prior to 1993 all delayed rental payments were allowed to be expensed in the year incurred. Allowing producers to expense delay rental payments will lower the cost of doing business on Federal lands.

- **Examining Measures to Preserve Marginal Production:** The Administration will continue to examine measures to preserve marginal well production, which accounts for over 20 percent of on-shore oil production in the lower-48 states.

- **B. Improving the Energy Efficiency of the Economy:** Any tax package to improve the energy security of the country must include incentives to improve energy efficiency and promote the use of renewable energy. The President has proposed:

- **Tax Credits For Electric, Fuel Cell, and Qualified Hybrid Vehicles.** Cars and light trucks (including minivans, sport utilities, and pickups) currently account for about 40 percent of the nation's oil consumption. Tax credits for electric, fuel cell, and hybrid vehicles will help to move advanced technologies that use less or no oil from the laboratory to the highway. President Clinton is calling for Congress to:
  - *Extend the current tax credit for electric vehicles and fuel cell vehicles.* Under current law, a 10 percent credit, up to $4,000, is provided for the cost of qualified electric vehicles and fuel cell vehicles. The credit begins to phase down in 2002 and phases out in 2005. The President's proposal would extend the tax credit at its $4,000 maximum level through 2006.
  - *Pass tax credits for hybrid vehicles.* The President proposes a $500 to $3,000 credit, depending on the vehicle's design performance, for all qualifying hybrid vehicles, including cars, minivans, sport utility vehicles, and pickup trucks.
- **Tax Credits for Efficient Homes and Buildings.** Increasing the efficient use of power will reduce our reliance on fossil fuels. To encourage energy efficiency, the President is calling on Congress to pass tax incentive that will promote the use of energy efficient practices and technologies in our homes and buildings.

- Tax credit for new energy efficient homes. To encourage the purchase of new energy efficient homes, the President proposes a tax credit of between $1,000 and $2,000 for new energy efficient homes.

- Tax credit for energy efficient equipment in new and existing homes or buildings. To encourage the purchase of electric heat pump water heaters, natural gas heat pumps, and fuel cells, the President proposes a tax credit equal to 20 percent of the cost of the investment, subject to a cap, for equipment purchased between 2001 and 2004.

- **C. Enacting Tax Credits To Diversify Fuel Sources in the Economy:** The President's Council of Advisors on Science and Technology, in its 1997 report to the President recommended that the federal government invest in developing a broad portfolio of energy sources. To promote the development of these new energy sources, the President has proposed:

  - **Tax Credits for Efficient Non-Petroleum Based Sources of Power:** In support of the PCAST recommendation, the President has proposed, and calls on Congress to pass tax credits to promote innovative and sustainable sources of energy supply including:

    - Tax Credits For Solar Energy Systems. A 15 percent tax credit will encourage the purchase by consumers and businesses of solar energy systems. The maximum credit would be $2,000 for rooftop photovoltaic systems and $1,000 for solar water heating systems.

- Tax Credits For Wind Power. Current law encourages the production of electricity from wind through a tax credit of 1.5 cents per kilowatt hour (adjusted for inflation after 1992). The current tax credit covers facilities placed in service before January 1, 2002. The President proposes a 2.5-year extension of this tax credit.
- Tax Credits For Electricity Produced From Biomass. Biomass refers to trees, crops and agricultural wastes used to produce power, fuels or chemicals. This package of credits would:
  - Extend Tax Credits For Closed Loop Biomass: Extend current "closed-loop" biomass credit of 1.5 cents per kilowatt hour for 2.5 years.
  - Provide Tax Credits For Open Loop Biomass: Expand the availability of the biomass credit of 1.5 cents per kilowatt hour to include "open-loop" biomass (certain forest-related resources and agricultural and other sources) for facilities placed in service from 2001-2005, and provides a 1.0 cent credit for electricity produced from 2001-2003 from facilities placed in service prior to January 1, 2001.
  - Provide Tax Credits

For Cofiring Biomass: Add a 0.5 cent per kilowatt hour tax credit for electricity produced by cofiring biomass in coal plants from 2001-2005.

- Tax Credits For Methane from Landfills: Adds a 1.5 cent per kilowatt hour credit for electricity produced from landfills not subject to EPA's 1996 New Source Performance Standards/Emissions Guidelines (NSPS/EG) and 1.0 cent per kilowatt hour for landfills subject to NSPS/EG. Qualified facilities would be facilities placed in service after December 31, 2000 and before January 1, 2006.

- **IV. Making Common Sense Investments In Promoting Energy Efficiency And Alternative Energy Technologies.** In addition to providing tax credits to promote domestic oil production and energy efficiency, the President and Vice President have already presented budget requests for appropriations that will further promote energy security. They have proposed a budget that includes over $1.4 billion next year to accelerate the research, development, and deployment of alternative and more efficient energy technologies.

  - **$275 Million To Make America's Homes and Buildings More Efficient:** The Administration has proposed funding for research to make offices, homes, and appliances 50 percent more energy efficient within a decade and has proposed $275 million in the budget to help do so. People understand what that means for their home heating bill. Overall, meeting this goal would save consumers $11 billion a year in energy costs.

  - **$173 Million To Weatherize Low Income Households:** Our budget proposes expanding DOE's

Weatherization Assistance Program, which helps low-income households make their homes more energy efficient. These are the Americans that most need to reduce monthly energy costs. This program has already weatherized almost 5 million low-income homes and is saving 3.0 million barrels of oil each year. With funding from DOE and the states, we plan to add more than 150,000 homes to the list in the next year – which will save more than an additional 91,000 barrels of oil per year. Our budget seeks $154 million for this important program for next year and an additional $19 million for the current year in the FY 2000 supplemental appropriation.

- **$255 Million To Make America's Vehicles More Efficient**: Our *Partnership for a New Generation of Vehicles* is on track to deliver attractive, affordable cars that get up to three times the fuel efficiency of today's cars. A car that gets twice the fuel economy of today's comparable vehicle is the equivalent of cutting the price of gas in half for the American driver. A typical consumer would save more than $300 a year in fuel costs and SUV owners would save more than $400 a year. By 2010, DOE plans to develop and commercialize fuel efficiency and alternative-fuel technologies that reduce oil consumption by nearly 700,000 barrels per day. By 2020, these technologies will reduce oil consumption by nearly 1.5 million barrels per day. Our budget seeks $255 million for PNGV.

- **$410 Million To Promote Clean Renewable Energy:** The President's FY01 budget proposes $410 million for DOE efforts to develop domestic sources of renewable energy, including wind, photovoltaics and geothermal energy. In addition, the President's Bioenergy Initiative will help us create new fuels for our cars that will reduce U.S. oil consumption, create new income opportunities in rural America, and meet environmental challenges, such as climate change.

- **Studies on Diversifying Fuels in the Northeast and New England:** The Northeast and New England are disproportionately reliant on home heating oil as a fuel to heat and power homes, businesses and industry. On February 16th the President directed Department of Energy to undertake a study of ways the region could diversify its energy sources thereby minimizing the effect of a volatile home heating oil market on the regional economy. The Department is also studying the effects of interruptible natural gas contracts on the home heating oil market in the region.

Talking Points on Energy Efficiency and Clean Energy Policy

- As America considers its long-term energy future, and as we deal with short-term market fluctuations, we must consider the fundamental benefits of becoming more energy efficient and using alternative energy. The President and Vice President believe that we should be in a position where the American people are protected from energy price shocks while having access to the energy and fuel they need. *We can do this by increasing our energy efficiency and diversifying our fuel supply base.*

- Some believe that the way to respond to market fluctuations is to unbalance the budget and hurt the environment. *The President and Vice President reject that false choice and have a plan to put us on a path of a more self-reliant energy future that will save Americans money, create new job opportunities, and protect our environment.*

- *This Administration has already presented the Congress an energy policy to achieve this.* For example, the President and the Vice President have proposed a budget that includes over $1 billion next year to accelerate the research, development, and deployment of alternative and more efficient energy technologies, as well as $4.0 billion in tax incentives over five years to benefit our energy-reliant consumers and businesses.

- *This Administration has a tax-cut plan to provide long-term benefits.* Our common sense tax package on clean energy and energy efficiency provides tax credits for the purchase of energy-efficient homes, cars, and appliances.

    - President and Vice President has proposed tax credits of $1000 to $2000 for homes that are 30% to 50% more energy efficient. *Americans understand that a home that is 50% more efficient can cut their heating bill in half.* So under this proposal, consumers get a double benefit – a tax credit as well as ongoing savings from reduced energy bills.
    - We have proposed tax credits ranging from $500 to $4000 for energy efficient cars, such as electric, fuel cell, and hybrid vehicles. That's money in Americans' pockets right now for cars that will cost them less at the pump.
    - And, we have proposed, tax credits for clean energy production – such as, wind, biomass, and methane from landfills – that will reduce demand for oil to produce electricity.
    - *These are the kinds of tax cuts that will make a real difference in our energy future, and will save consumers more money in the long run than a small break on the gas tax.*

- *We Are Making America's Homes and Buildings More Efficient:*

    - The Administration has proposed $275 million in R&D efforts next year to make offices, homes, and appliances 50% more energy efficient within a decade. People understand what that means for their home heating bill. *Overall, meeting this goal would save consumers $11 billion a year in energy costs.*
    - We are accelerating efforts to establish energy efficiency standards for appliances and encouraging more Americans to use Energy Star Products. *If we all used Energy Star products, America would reduce its energy bill by $100 billion over the next 15 years!*
    - The President's recent Executive Order 13123 has made the Federal Government a leader in building energy efficiency, saving taxpayers $750 million annually.

- We are expanding DOE's *Weatherization Assistance Program* that helps low-income households make their homes more energy efficient. These are the Americans that most need to reduce monthly energy costs. *This program has already weatherized almost 5 million low-income homes and is saving 3.0 million barrels of oil each year.* With funding from DOE and the states, we plan to add more that 150,000 homes to the list in the next year – *which will save more than an additional 91,000 barrels of oil per year.* Our budget seeks $154 million for FY 2001 and an additional $19 million for the current year in the FY 2000 supplemental spending bill.

- *We Are Making America's Vehicles More Efficient:*

  - Our *Partnership for a New Generation of Vehicles* is on track to deliver us attractive, affordable cars that get up to three times the fuel efficiency of today's cars. *A car that gets twice the fuel economy of today's comparable vehicle is the equivalent of cutting the price of gas in half for the American driver* and would save a typical consumer more than $300 a year in fuel costs; SUV owners would save more than $400 a year.
  - *By 2010, DOE will help develop and commercialize fuel efficiency and alternative-fuel technologies that reduce oil consumption by nearly 700,000 barrels per day.* By 2020, these technologies will reduce oil consumption by nearly 1.5 million barrels per day.

- *We Are Promoting Clean Renewable Energy:*

  - The President's FY01 budget proposes $410 million for DOE efforts to develop key renewable technologies, including wind, photovoltaics and geothermal energy.
  - The President's Bioenergy Initiative will help us create new fuels for our cars that will reduce U.S. oil consumption, create new income opportunities in rural America, and meet environmental challenges, such as climate change.
  - The Administrations has proposed restructuring electricity industry to make it more efficient and cleaner, while saving consumers at least $20 billion annually on their electricity bills.

- *We Are Helping Make America's Industry More Efficient and Competitive:*

  - Our plan helps industry implement win-win strategies for cutting energy costs.
  - We invest in R&D with America's most energy intensive industries get more output for each unit of energy they use – this will save them $30 billion in reduced energy costs through 2010.

- *We Have More Initiatives in the Works:*

  - We are finalizing an Executive Order that would require the Federal Government to reduce its own petroleum consumption.
  - We are finalizing an agreement with industry that will lead to dramatic increases in fuel efficiency for heavy trucks.

- *We Need the Congress to Stop Playing Politics Over Energy Policy and Pass Our Long Term Plan, so We can Give the American People the Energy Security they Deserve without Unbalancing the Budget and Harming the Environment.*

THE WHITE HOUSE

Office of the Press Secretary
(Phoenix, Arizona)

For Immediate Release June 22, 2000

TEXT OF A LETTER FROM THE PRESIDENT TO THE SPEAKER AND DEMOCRATIC LEADER OF THE HOUSE OF REPRESENTATIVES AND THE MAJORITY AND DEMOCRATIC LEADERS OF THE SENATE

June 22, 2000

Dear Mr. Speaker: (Dear Mr. Leader:)

With so much attention focused on the recent spike in gasoline prices and OPEC's decision to increase production quotas, it is critical that we not lose sight of our nation's long-term energy needs. For seven years, my Administration has pursued a sound, comprehensive policy to address those needs. Regrettably, several key elements of this Administration's strategy have languished in Congress. In recent days, in fact, budget initiatives to strengthen our energy supply have suffered significant cuts, while some Members have advanced proposals that would seriously harm our environment in the name of energy security. I urge you to work closely with me to enact these critical energy proposals without further delay.

I remain very concerned about high gasoline prices and find the situation in the Chicago/Milwaukee region particularly troubling. Last week, the Department of Energy (DOE) and the Environmental Protection Agency sent analysts to the region to explore the reasons for this price differential. While a number of factors appear to have contributed to the unusually high prices in the region, it is possible that they may not account for the entire increase in gas prices. The Federal Trade Commission has initiated an investigation of pricing practices in the region to determine if there is any unfair or illegal activity there. We look forward to the results of these investigations.

Our concern about high gasoline prices in the short-term, however, cannot be allowed to distract us from addressing the long-term energy needs of our nation. My Administration has pursued an energy policy that provides a comprehensive and balanced approach to addressing the nation's energy needs. Unfortunately, Congress is considering proposals that are unnecessary and would do irrevocable harm to the environment, such as opening the Arctic refuge to drilling. Instead, Congress should act on the following key pieces of my energy policy.

First, I have proposed a $4 billion package of tax incentives to encourage consumers to purchase more efficient cars, homes, and consumer products. Congress has failed to enact this package for over two years, even though these tax credits would save consumers money, protect our environment, and reduce our dependence on foreign oil. I also have proposed tax incentives to support renewable energy and the domestic oil industry, including the expensing of geological and geophysical expenses and delay rental payments.

Second, over the past seven years I have repeatedly proposed significant increases in Federal investments in responsible domestic sources of energy, including most recently $1.4 billion in FY 2001 for high-priority items at DOE for energy efficiency, renewable energy, natural gas, and distributed power generation systems. Specific examples of these investments include more efficient technologies for our factories and homes, weatherization of low income households, technologies to produce biofuels and power from biomass, and the Partnership for a New Generation of Vehicles (PNGV) -- a collaborative effort with automakers to deliver affordable cars that are three times more fuel efficient. Yet, Congress has failed to support these critical goals, approving only 12 percent of our proposed increases for energy efficiency and renewables over the past seven years. This year, the House has already cut DOE's FY 2001 budget for energy efficiency programs below last year's enacted level and has cut virtually all DOE funding for the PNGV program.

Third, two years ago I submitted the Comprehensive Electricity Restructuring Act to Congress, to improve the operation and efficiency of the electricity sector. Congress to date has not enacted a comprehensive restructuring bill. Such legislation would improve the reliability of our electric power system, provide American consumers an estimated annual savings of $20 billion as a result of competition in electricity markets, and significantly reduce greenhouse gas emissions.

Fourth, to address energy supply emergencies, I have called for reauthorization of the Strategic Petroleum Reserve (SPR), the establishment of a regional home heating oil reserve in the Northeast, and replenishment of the Low Income Home Energy Assistance Program emergency funds. Authorization for the SPR expired on March 31, 2000. It is critical that the SPR be reauthorized so that I have available all means to respond to any possible energy supply emergency. Further, the Department of Energy cannot establish a regional home heating oil reserve in the Northeast to respond to shortages of home heating oil until Congress either reauthorizes the SPR or separately passes legislation authorizing the creation of such a reserve with a responsible trigger. Because Congress has failed to act thus far, it will be virtually impossible to establish a home heating oil reserve in time for next winter.

America needs a balanced, forward-looking energy policy based on the proposals that my Administration has put before Congress. We are committed to a responsible approach that will infuse our energy sector with both efficiency and competition; that values clean air, clean water, and healthy lands; and that seeks to cushion America against emergencies in the energy market. Congress should act on my proposals without further hesitation.

Sincerely,

WILLIAM J. CLINTON

# # #

EPA's Climate Partnerships: Energy Savings
August 2000

* EPA's climate partnerships, such as Energy Star, have been highly successful at reducing energy consumption, and saving businesses, consumers and other organizations money on utility bills.

* For every dollar spent by the EPA on these programs, the nation's energy bill is reduced by more than $70. At the same time, more than 2.5 tons of carbon dioxide emissions are prevented.

* A typical family can save up to $400 on their annual energy bills by purchasing energy saving products that can be easily identified by EPA and DOE's Energy Star label.

* On a cumulative basis from 1995 through 1999, EPA has reduced energy consumption by more than 120 billion kilowatt hours and saved consumers and businesses more than $10 billion on utility bills.

* In 1999 alone, these programs conserved enough energy to light 50 million homes for the year. At the same time, the programs:

  -- Prevented NOx emissions equivalent to the annual pollution from 75 power plants; and

  -- Prevented greenhouse gas emissions equivalent to eliminating the pollution from more than 35 million cars for the year.

* Since many of the investments promoted through EPA's climate programs involve energy-efficient equipment with lifetimes of ten years or more, the investments that have been spurred through 1999 will continue to deliver environmental and economic benefits through 2010 and beyond. Based on investments in equipment already made due to EPA's programs through 1999, families and businesses across the country will save more than $25 billion through 2015.

* EPA is requesting $227 million for the Climate Change Technology Initiative, a $124 million increase over FY2000. Compared to continuation of the programs at current funding levels, the requested funding increase will deliver the following additional benefits over the next decade:

  – $35 billion in energy savings to families and businesses;

  – 335 million tons of greenhouse gas reductions (metric tons, carbon equivalent); and

  – 850,000 tons of NOx reductions.

Rosina M. Bierbaum 07/12/2000 10:34:31 AM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

cc:

Subject: Re: Washington Times

Our energy policy and the National Assessment...RB

---------------------- Forwarded by Rosina M. Bierbaum/OSTP/EOP on 07/12/2000 10:36 AM ---------------------------

Tara M. Catanzano
07/12/2000 10:25:15 AM

Record Type: Record

To: Rosina M. Bierbaum/OSTP/EOP@EOP
cc:
bcc:
Subject: Re: Washington Times

Washington Times - July 12, 2000

A plan for all seasons

p. A20

Patrick J. Michaels

On June 27, Vice President Al Gore unvealed his plan to fight global warming and to protect, in his words, "the stable seasons God gave us."

These gifts include "Hurricane Season," which officially began on June 1, "Tornado Season," which runs from January through December, and winter, which anyone with a few dollars tries desperately to escape.

In order to preserve these seasons, Mr. Gore recommends several policy proposals that deserve scrutiny. They include:

• Solar energy. Currently, solar electricity costs about 5 times as much as conventional power. This is largely because the surface of the Earth generally doesn't receive enough energy to power much of anything consequential. As an example, at current conversion rates, the area of solar panels required to power an efficient air conditioner for an average two-story home would be larger than the home itself.

• "Hybrid" gas-electric cars. As correctly noted in several news reports, Honda has been "selling" these since January. You probably haven't seen one, though, because no one's buying. It's a two-seater that, when all the physics is said and done, gets about the same highway mileage as the conventional Civic CRX FE of 12 years ago. It does better in the city because the engine stops dead when it is not moving. So much for running the air conditioner in Washington, where traffic is always stopped, during summer. Ditto for defrosting the windshield in Minnesota as the blizzards howl in another of God's "stable seasons" (and where people not dressed like the Michelin Tire-Person can meet the Maker of Seasons in less than a night).

• Central economic planning. According to his June 27 press release, "Al Gore supports tax credits to help make electricity products produced from wind, biomass, and landfill methane . . . price competitive with other forms of electricity." If the government were such a good investor, everybody on Social Security would own a beach house.

Let's see how much dreaded global warming these proposals will save, since their real purpose is to meet the guidelines of the Kyoto Protocol, an infamous U.N. document for which Mr. Gore is largely responsible. According to the computer model from the U.S. National Center for Atmospheric Research, if the entire world reduced its greenhouse emissions by roughly 5 percent — the integrated goal of the Protocol — the Earth's mean temperature would be 0.07 degrees Celsius lower in 2050 (and 0.14 C by 2100) than if we just continued "business as usual."

But the United States currently contributes only about 25 percent of total emissions. So our contribution to the "saved" warming is only 0.02 C by 2050. Of course, by 2050 our actual fraction drops even further as the rest of the world develops, emitting relatively more greenhouse gases. Under the best scenario, all we get from Mr. Gore's program is about 1/100 of a degree.

Would this affect the "stable seasons"? Consider: The average temperature variability — from year-to-year — is about 1 C. That's 100 times the temperature "saving" resulting from Mr. Gore's plan. A garden-variety "hurricane season" produces 10 named storms, plus or minus three. Could 1/100 of a degree of temperature produce any detectable change in a number already ranging between 7 and 13? And how about tornadoes? In a bad year, 400 Americans die; in a good one, maybe 40. Will changing the mean temperature of the Earth from 15.00 C to 14.99 C alter this range? The answers are as obvious as the rhetoric is inflated.

Along similar lines, Mr. Gore vowed to "make our nation the world's leader in manufacturing a new generation of clean cars, trucks, buses, and sport utility vehicles," "building a diversified energy infrastructure," creating "light-rail, high-speed rail, and mag-lev" trains, and upgrading the nation's public bus system (a big issue with voters for sure).

The fact is, people like their SUVs just fine, thank you, and the 10-year payment plan isn't about to make them trade in anytime soon. As far as trains go, when is the last time you rode one instead of an airplane? Have you taken the bus to Chicago recently?

There's more: "Al Gore will expand investment in the Small Business Innovation Research Program (SBIR) and the Advanced Technology Program (ATP) and target these increases to provide businesses with incentives to develop new energy-efficient and environmental technologies and put these new technologies in the marketplace."

I am still trying to figure out what this last one means. But one thing for certain is that it is an indication of the hot air of Campaign 2000, another God-given season.

Patrick J. Michaels is senior fellow in environmental studies at the Cato Institute and author of "The Satanic Gases."

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p. A22

Chicken Little would love global climate report

The politicized goal of sensationalizing unproven theories about global climate change, part of which is seemingly accomplished by the widespread dispensing of fear and uncertainty to the public, continues with the release of the draft report of the National Assessment on Climate Change (NACC).

The report uses worst-case and often conflicting scenarios from foreign climate models as a basis for speculating about possible impacts of potential climate change. Most readers will miss the disclaimers and believe it is a prediction of things to come.

Without fail, billions of taxpayers' dollars have been and continue to be used to promote a political agenda. Responsible use of sound science plays a distant second to the drumbeat of doom-and-gloom scenarios thrust into public awareness.

The Annapolis Center (a nonprofit organization committed to promoting the use of sound science in public policy decision-making), clarified the current state of climate modeling in its report "Climate Change Modeling: Helping to Understand Strengths and Weaknesses." Critical determinations made in this report include:

* The present state of understanding regarding greenhouse warming using global climate models is tantamount to watching a football game from a plane at 30,000 feet — while movement can be discerned, individual plays cannot be understood.

* That global climate models may never be able to predict greenhouse-related change due to the inherent complexity of nature.

* That global climate models are good research and learning tools.

But this important academic tool can be misused to imply a level of understanding and predictive capability that just doesn't exist.

One major unanswered question is how much of the observed warming of about 1 degree Fahrenheit during the past century may be caused by human activities and how much by natural climate variations. Despite the impression given by those attempting to advance one political agenda over another, we simply do not know the answer.

Another Annapolis Center report recently released, "Global Climate Change and Human Health," summarizes what is and is not known about this subject. The major conclusions of the report include:

* Climate change is only one of a multitude of factors that are likely to have significant influence on human health during the coming century.

* Tropical geography, poor water and food security, low socioeconomic status and political instability define the regions that would be most vulnerable to the health effects of climate change.

* The interactions between the environment (including climate and weather) and the vector/pathogen/host systems (i.e., mosquitoes) are extremely complex. It is important to avoid simplistic interpretations when discussing interventions aimed at reducing vector-borne (VBD) and waterborne diseases.

* Models are often quoted as the shape of things to come. Current VBD models cannot predict the impact of climate change on disease transmission several years in the future with any accuracy.

* The number of laboratories doing disease surveillance on emerging and re-emerging infectious diseases is relatively small, and in many places they are poorly funded. Improved surveillance could save lives.

The sensational release of the NACC report does little but continue Chicken Little's dire and hysterical predictions of the sky falling and says farewell to thoughtful, agenda-free driven science.

HAROLD M. KOENIG
Chairman and president
Annapolis Center
Annapolis

Harold M. Koenig is a retired vice admiral and former surgeon general in the Navy.

Rosina M. Bierbaum

Rosina M. Bierbaum 07/12/2000 10:11:37 AM

Record Type: Record

To: Tara M. Catanzano/OSTP/EOP@EOP

cc:

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*** COMMENTS ***

REMARKS AS PREPARED FOR DELIVERY BY VICE PRESIDENT AL GORE ENERGY SECURITY AND ENVIRONMENT TRUST Tuesday, June 27, 2000

I'm so pleased to be here at Trigen -- where you are harnessing new forms of energy, and in the process, thriving as a business and creating good new jobs for America.

This building was a seedbed of 20th Century progress. In fact, Thomas Edison himself helped to develop its original power system. And now this place is at the cutting-edge of the new energy technology we need for our new prosperity.

For the past two weeks, I've been talking about the big choices we have to make to secure even greater prosperity, and even greater progress, as we begin the 21st Century.

The American people have a right to be proud of what they did in the past eight years. Because of their hard work -- and because we made the right choices with the Clinton-Gore economic strategy, to unleash their creativity -- we are now living in the longest period of economic growth in the entire history of America, which of course began right here in this city, 224 years ago next week.

Everybody knows: we're better off today than we were four years ago, or 224 years ago.

And this is my message today: you ain't seen nothing yet. I know in my heart that the benchmark of American creativity can be even higher.

There can be a next stage of prosperity in which American creativity builds not just a better product -- but also a healthier planet. A next stage of progress in which it is an every-day accomplishment for Americans to develop path-breaking technologies that create millions of high-wage jobs, clean up the environment, and combat global warming at the same time. A next stage of prosperity and progress in which we encourage and support the Thomas Edisons of tomorrow -- and empower them to build a better, cleaner, more prosperous world.

We can now harness that uniquely American power of innovation. We will say to the nation's inventors and entrepreneurs: if you invest in these new technologies, America will invest in you.

And we will prove, once and for all, that we can clean up pollution, make our power systems more efficient and more reliable, and move away from dependence on others -- all with no new taxes, no new bureaucracies, and no onerous regulations. In fact, we will <u>cut</u> taxes to help families and businesses buy the clean technology of the future.

At the core of this next-stage prosperity is one of our oldest and most enduring American values: independence. Our nation's energy resources should not be so overly reliant on others, so subject to shortages, or so vulnerable to big oil interests trampling on the public interest.

We are Americans; we should plan ahead so that we can do what we have always taken as a right -- turn on our engines and get where we want to go, with nobody's permission. Our next-stage prosperity must be built on our ability to make sure Americans will be free forever from the dominance of big oil and foreign oil.

All of you who drove to work today know that the cost of gasoline is simply too high for America's working families. In the first part of this year, oil company profits increased nearly 500 percent. That's why I've called for a federal investigation of concentration, non-competitiveness, and pricing practices in the oil industry. Now that the investigation has started, I would like to call for public hearings so the voices of American consumers can be heard.

But now is also the time to recognize that the challenge we face is even broader than soaring gasoline prices. We see the same underlying problem in our aging power systems that are becoming less reliable. And we see it in the old engines and power plants that waste so much energy and in doing so create way too much pollution -- that makes our air unhealthy, and our world warmer.

But we don't have to accept a future of more pollution. We don't have to accept a future where kids and grandparents have to stay indoors on a muggy day, and where the days themselves get muggier still.

Here's the good news: we have the means and the technology to meet <u>all</u> these challenges. Because of American ingenuity and invention – because of the remarkable strides that are being made by our leading companies and our leading scientists – we stand today on a new frontier of energy independence and environmental protection.

It is time to abandon old ways of thinking that hold us back. For example, it's an old, timid way of thinking to say that we have to trade off our economy and our environment; it is a new, bold way of thinking to see that environmental protection can actually fuel economic growth.

It is an old, timid way of thinking to accept the inevitability of dirty power plants, or electricity generators where most of the energy is wasted -- and consumers have to foot the bill. It is a new, bold way of thinking to invest in cleaner, more reliable power which safeguards our air as it saves on monthly utility bills.

It is an old, timid way of thinking to build our lives and livelihoods around a fuel source that is distant, uncertain, and easily manipulated; it is a new, bold way of thinking to demand and develop new technologies to free ourselves from gas-tank price-gouging.

It is an old, timid way of thinking to suggest that those who put the good of the Earth at the heart of the American dream are somehow outside the mainstream. It is new, bold thinking to realize that the mainstream has shifted like a mighty river. Now, at the dawn of the 21st Century, the great groundswell of American citizens, homemakers, school children, workers, CEO's and entrepreneurs – people who care about the Earth, and who are calling on those in the halls of power to find new solutions to protect our well-being in relation to the environment -- they are the true American majority, the new American mainstream.

These past eight years, we have shattered the old way of thinking. Just look at our progress:

While our economy has grown, we have raised, not lowered, the standards for the water our children drink.

While we have led the world in job creation, we have toughened, not weakened, our standards to reduce air pollution, so that one day, kids who are now getting asthma might breathe free.

While our production has expanded, we have cleaned up more, not less, toxic waste in our neighborhoods.

On behalf of our people and our nation, I will not let us be dragged backward.

The next President better be willing to hear the voices of the new mainstream; to understand what leadership looks like in this new era – and be willing to lead. I ask for your support, to provide that leadership.

If you believe those who cling to timid, old ways of thinking, who say there is no alternative to breathing more air pollution if we are to have the freedom of the highway -- and no alternative to emptying our wallets each time we try to get there -- then I'd like to tell you a story about what America can do.

Just before the turn of the last century, as our cities grew, they faced an environmental challenge: the massive proliferation of horses and horse-drawn carriages. It was potentially a serious crisis: feed lots were crowding out farm land. And I'm told that other problems also mounted up. Then American inventors came up with the answer: the motorized carriage -- soon known as the automobile. Of course, this quickly grew into a major industry, employing millions of Americans and leading the world in yet another benchmark of creativity and well-being.

Then, decades later, when smog increasingly shadowed our great cities, we decided it was time to reduce the pollution from automobiles. And once again, those who clung to timid, old ways of thinking said it couldn't be done. But they underestimated what American genius can achieve.

The solution was the invention of a small device called a catalytic converter, now put into every car. Today, as a result, automobiles produce 90 percent less pollution. That's a big part of the reason why Los Angeles went an entire summer last year without a single full-scale smog alert. And that's also why America leads the world in yet another industry -- exporting billions of dollars worth of catalytic converters.

And that's just the beginning of what we can do – from transportation, to power plants, to industry.

We are close to the day when Americans can buy cars with new fuel cells that truly revolutionize fuel efficiency. We've worked for this in a public-private partnership with our leading auto makers. The only emission from these cars will be water; they create no greenhouse gases at all -- which means they combat global warming. And lest you think that this is a pie-in-the-sky prediction many years from the market, one version on display at <u>this</u> year's auto show got over 100 miles per gallon -- and we learned just last week that buses powered by this technology will be driving on America's city streets within two short years.

Nearly a decade ago, when I wrote "Earth in the Balance" critics rushed to assail the idea that we could create cleaner, more efficient cars, and end our dependence on the internal combustion engine over a period of, say, 25 years.

Today, I have to admit: I was wrong. Now, because of American innovation, our auto executives and workers believe we can do it in <u>less</u> than 25 years -- while preserving and creating good jobs.

It's not just the auto industry that is leading the way in the right direction. Here at this plant, you are producing power that is more than twice as efficient as the average power plant. And you have cut your greenhouse emissions in half. Your business is thriving.

Something similar is happening at Maytag, in Newton, Iowa. I met and talked with the people who work there. When Maytag's profits started sagging, they went back to the drawing board and invented a new washing machine that conserves energy and saves nearly 7,000 gallons of water every year – more water than an average person drinks in a lifetime. That one product helped to increase Maytag's home appliance sales by 25 percent -- and profits soared.

Today, I'm proposing that we invest in even more of this kind of innovation and industry; that we cut taxes so families and small businesses can afford to buy the cars and products of the future; and that we work with private industry to develop not just a new generation of vehicles, but a new generation of light rail and mass transit, and a new generation of cleaner, more reliable power systems.

Just over the horizon is a future where you can cool your home in the summertime, drive your car to pick up the kids after school, and light up your backyard for an evening barbecue -- all without using a single drop of oil or gasoline; all without lowering the quality of the air your children breathe.

Just over the horizon is a future where you can power your own home with solar energy, and then make money by selling some of the energy you generate back to the local utility. In fact, right here in Philadelphia there are families now doing just that.

This is the future we can all have. But it's not going to just happen on its own. It's something we have to make for ourselves -- together.

I know that some want to hold back this progress, and keep things just as they are -- with both pollution and energy prices rising every year. They argue that pollution is the price we somehow have to pay for prosperity. Maybe it's because they're the ones who make their money by cutting corners, in refusing to take responsibility for the pollution that they dump on everybody else. They argue that protecting our Earth in ways that create jobs is simply impossible. They imply that even caring about the environment at all is "extreme."

These are the same apologists for pollution who also complain about high gasoline prices, after they've previously called for higher oil prices to raise industry profits still more. Let's face it: one hundred years ago, they would have been the ones who tried to block the automobile as a threat to the horse and buggy industry.

I say to you today: at a time when America's automobile companies are developing products that can sharply reduce global warming -- at a time when energy efficiency is thriving at companies like this one and reviving the plants and factories where these new approaches are used -- it is those who stand in the way of progress who are "extreme." It is those who would continue to unnecessarily endanger our children with pollution who are "extreme."

Cutting pollution is valuable to our economy. But this is about more than the value of our economy; it's about our values as a people. I want it to be said of us that we accepted responsibility for the choices that we made. On the economy, I want it to be said that we refrained from passing any debt of our own down to the next generation -- and that instead we used our prosperity to lift our own debt from the shoulders of our children's grandchildren, and all those who come after us.

Now we must do this in our environmental policies. After all, there is more than one kind of national debt. Pollution and energy dependence are also a borrowing from future generations. We should no more saddle our children and grandchildren with the expenses of cleaning up <u>our</u> pollution than we should saddle them with the burden of paying <u>our</u> bills.

Other peoples have left soaring cathedrals or magnificent masterpieces that speak to future centuries about their values and vision Now, this present moment is ours. And the great gift that our generation can make to those who will look back at who we were and what we did is a legacy of creativity and boldness no smaller than the Earth itself. History is beckoning us to step up to this challenge. We dare not fail the future or our children's descendants. I will not let us fail.

Today, I'm proposing a new Energy Security and Environment Trust -- a bold and unprecedented commitment to achieve an even more prosperous economy, powered by cleaner, more reliable energy, in a healthy, truly livable environment.

First, we will modernize and improve our nation's power systems -- to prevent future power outages before they affect you and your family.

We will ensure reliable and affordable electricity by providing new incentives to industry to improve our power lines.

And we will give special incentives to companies that want to use their own, more efficient power systems on-site -- or use renewable energy, such as wind or solar power.

Second, we will do more to protect our kids and our parents from the smog and soot that cause asthma.

One of the best ways we can do this is by giving new incentives to industry to transform dirty old power plants into modern, clean sources of energy. For that, we will need enforceable, market-based standards that are comprehensive instead of piecemeal. And we need to end monopolies, and instead let competition bring us clean energy and smaller energy bills.

We are blessed with abundant supplies of coal, petroleum, and natural gas; we have to use these resources wisely. With new technology, we can make <u>all</u> our energy sources cleaner, safer, and healthier for our families.

We will bring together the best minds from the private sector -- and create an open competition to design the best incentives for old power plants and industries to change, to improve, to modernize and move ahead. Through the power of free markets, we will take a dramatic step forward for our children's health, which will also be a dramatic new step toward a stable climate.

Third, while we modernize our power systems and reduce pollution here at home, we must aggressively pursue the global market for new energy technology that is expected to reach $10 trillion in the next two decades, as other countries also take steps to overcome pollution and the threat of global warming.

As the world implements the Kyoto treaty, we must ensure that all developed and developing nations do their part.

Fourth, as we reduce America's dependence on big oil and imported oil for the long term -- by finding new and better ways to produce clean, affordable, and reliable energy here in America -- we will work even more closely with industry and labor to bring cleaner cars, trucks, and buses to showrooms and streets around the world. This is a multi-hundred-billion-dollar industry; we've got to seize the lead, before Japan or any nation beats us to it.

Fifth, we will cut taxes so families can start buying those 100-mile-per-gallon cars as they hit the showrooms. Even the best innovations are of little use if they are stuck in a lab -- unaffordable and unattainable to you, your family, or your business. But tax credits can make them competitive and then mass production will bring the prices down even further.

We will also give tax credits so that it is not far-reaching fantasy to put a solar roof on your home, or to renovate your home to make it more energy-efficient, but an affordable and money-saving practicality.

We will also make major new investments in light rail and mass transit – to make your neighborhoods more livable, and to liberate families from having to buy gas at any price, if they'd really prefer not to.

Finally, we will do more than use the technologies of the future -- we as a nation will aggressively invest in the skill and creativity of the people who discover them, and the factory workers who produce them.

There will be no new bureaucracies; no new agencies or organizations, because the era of old government is over. We'll measure performance carefully and ensure that we reach our goals with common-sense standards. But it is America's innovators and entrepreneurs, investors and working men and women who will forge the real solutions -- not the federal government.

I know these challenges are not easy. And for me, they have never been without controversy. But my commitment to the environment has always run deeper than politics. We have to do what's right for our Earth because it is the moral thing to do. It involves all of our lives -- from the simple security of having safe, reliable, affordable electricity for your home; to America's ability to keep building and selling the best new cars, trucks, and technology to the world; to guarding our children from the summer smog that is made worse by global warming, and securing for our grandchildren the expectation of a joyful array of seasons that we took for granted when we grew up ourselves.

In every age, America has proven wrong those who cling to the old, tired ways of doing things. We will prove them wrong again today.

When Americans work together, we can solve any problem, and master any challenge.

So if you believe in the American spirit of invention -- if you believe, as I do, that America can produce the cleanest, cheapest electricity in the world with far less pollution -- then join with me.

On behalf of our kids, who are counting on us to act like real adults when a serious environmental challenge faces them, we will take the White House this November.

If you believe, as I do, that it is just plain unacceptable for America to import nearly two-thirds of the oil we use; if you believe that the big oil companies should behave with a sense of public responsibility -- then join with me.

On behalf of our families and the good things we could bring them with the money we don't spend on exorbitant gas or electric prices, we will win this fight.

If you believe, as I do, that we can forge a future where not one of our mothers or fathers has to worry whether the water they give their children to drink or the air their children breathe is safe for them or toxic to them, then I need more than your support. I need your enthusiasm. I need your hard work. We have a mission to achieve -- in November and beyond.

If you allow yourselves to believe, without reservation, that we can do what's right and be the better for it, then we will accomplish what we set our minds to do.

Join forces with me, and we <u>will</u> do the right thing -- and we will do it well. Thank you.

ANSWERS TO FREQUENTLY ASKED QUESTIONS ABOUT

THE GREEN POWER FINANCE INITIATIVE: *FEDERAL FUNDING FOR GREEN POWER PRICE INSURANCE*

How does the insurance actually work?
A green marketer would take out a price insurance policy before it entered into a power purchase agreement, and the insurance would apply to the power purchased under that agreement. The premium, set in negotiations with insurance companies that wished to participate in the program, would be based on the annual amount of green power sales covered by the policy (for example, one mill ($0.001) per kWh of coverage).

The insured risk would cover a decline in the wholesale green premium — the difference between the wholesale market prices of green and conventional power. The green premium might decline due to a sharp reduction in the cost of renewable energy, demand for green power might dry-up, or because the supply of green power grows faster than demand.

What renewable energy technologies are covered by the proposed insurance? Primarily (new) solar, wind, biomass and geothermal energy projects.

The insurance would not cover one hundred percent of the decline, but would be subject to a deductible and cover only one-half of the decline after the deductible. The total funds available for meeting claims would consist of **three layers**. The **first layer** would be the insurance premiums paid by marketers, perhaps $25 to $30 million over the life of the program. The **second layer** would consist of the $40 to $45 million from the funds committed by the federal and state governments. The **third layer** would be the capital of the participating insurance companies, used to satisfy any claims in excess of the first two layers.

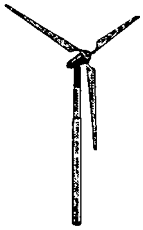
The federal and state commitment would be contingent on the insurance companies actually insuring the agreed amount of capacity. If the insured capacity fell short of the agreed amount, the federal and state commitment would be reduced accordingly.

What is the "downside?"
Two outcomes might fail to meet the expectations of some or all of the parties involved. One possibility is that underwriting losses exceed the amount that can be met from premiums and the amounts committed by the federal and state governments. The risk of large underwriting losses may affect the willingness of insurance companies to take on the commitments required by their participation in the proposal. Their assumption of that risk is an essential part of the bargain underlying this Initiative, and the major insurance companies that have helped shape this Initiative understand, and have expressed a willingness, to assume this risk.

Another possibility is that the green marketers do not purchase the minimum amount of insurance that the insurers agree to offer. This might occur because they find that the insurance is not necessary or because the demand for green power grows more slowly than projected. A failure of demand for the insurance would be the more serious disappointment because it would mean that the proposal did not result in the increase in green power supply that was hoped for. In a worst case scenario in which no insurance was sold, the proposal would not result in any additional green power, but the direct cost to the federal and state governments also would be zero. The outcome would be a serious disappointment, but not a costly one. Note that a wide range of green power marketers and developers have played a major role in shaping this Initiative, and have expressed strong support and interest in purchasing this insurance product.

What about cost effectiveness?

For the federal and state governments, the proposal is a highly cost effective way of promoting the growth of renewable energy. The cost is likely to be less than $0.001 per kWh of additional green power and may be less than $0.0001.



How does this Initiative relate to a Renewable Portfolio Standard (RPS)?

If strictly enforced, a renewable portfolio standard (RPS) ensures that some percentage of the power consumed in a geographic area is directly or indirectly supported by green power. A RPS does not, however, directly reduce the cost of producing the green power. The relationship of this proposed green power price insurance to the RPS is complementary: a RPS guarantees a level of demand for green power; the price insurance would reduce the cost of meeting that demand.

What are the technical requirements of the Initiative?

The proposal also has two technical requirements. One is that the insurance companies' obligations not be met by insuring capacity that would have been constructed without the insurance. ("anyway plants"). The second is that there be publicly verifiable measure of changes in the wholesale green premium. As green power emerges in domestic energy markets, useful, objective data is likely to be made available for this purpose.

How can we fund this Initiative through a System Benefits Charge (SBC)?

A system benefits charge, levied on all electric sales by the states that are unbundling their retail electric markets, is the perfect mechanism for funding this Initiative. It is used to fund activities that previously were supported through utility regulation, including promoting renewable energy. The system benefits charge therefore poses the question of cost effectiveness in a concrete form: How can the state achieve the largest impact on renewable energy with the funds that the charge generates for that purpose? Under that criterion, participation in the price insurance program should rank at, or near the top, of the list of alternatives available to a state.

Why can't the green power marketer just sell power to the consumer under long-term contracts?

In theory, a green power marketer could protect itself against price risk by selling to consumers under long-term contracts, but a marketer that insisted on a ten-year commitment in the freewheeling world of unbundled retail electric markets would be unlikely to succeed. The long-term assurances that are needed in order for green power developers to obtain loans on reasonable terms therefore depend on reducing the market price risk. Price insurance can serve that purpose.

This *Frequently Asked Questions Sheet* is a companion piece to a 10-page DOE/industry proposal, and a 25-page independent analysis of the subject. See www.realliance.org.

Description of the Green Power Insurance Initiative

The Green Power Insurance Initiative was developed by a broad coalition of renewable energy marketers, developers, manufacturers as well as utilities and environmental groups working with the US Department of Energy and several state energy agencies. This proposed market-oriented initiative is designed to address a critical barrier to renewable energy investment and would help ensure that customers have the option of choosing clean energy from new renewable sources. This initiative is a temporary bridge between the old electricity monopoly and a fully mature market-based system. Even though customers are now willing to pay more for green power, the magnitude and duration of this "green premium" are very uncertain. Since the typical contract with a customer is short-term, less than five years, while optimum project financing requires ten to twenty years, customer commitments do not fully cover the long-term risks experienced by project financiers. The proposed Green Power Insurance Initiative (GPII) addresses this Catch 22 by creating a temporary private-public market mechanism that spreads the green premium risk through an "insurance pool" thereby securing new renewable project financing.

Federal involvement is needed to catalyze private investment in new renewables, and the US DOE is the logical agency to play this role. Proposed federal funding of $5 million per year for five years would attract matching state funds and be expected to leverage 1000 to 2000 MW of new, private sector-funded renewable energy investments (at least $1 billion). The initiative has been reviewed by a range of firms including such insurance firms as Cigna, CNA and Suisse Re and has won their support. Further, these firms are among those interested in participating in an open competition process to secure Federal/State funds of $10 million per year to provide green power insurance for 1000 + MW of new green power between 2001 and 2006.

A detailed analysis of the proposal by a former head of policy for the Federal Energy Regulatory Commission, and a recent review by the Financial Times confirm the pressing need for this initiative and affirm that this is a very high leverage, market-oriented solution. The Financial Times concluded, in part that;

> *This proposal is a remarkably low-risk, high-return use of public funds to support the development of new renewable generation capacity.*

The complete Financial Times article as well as a range of other documents on this initiative are available at www.realliance.org

Industry Support

The renewable energy insurance initiative has the strong support of industry groups such as the Renewable Energy Alliance (representing US Green power marketers), and the US BioEnergy Commercialization Association (representing US utilities, private power generation firms, and associations such as the National Rural Electric Cooperative Association). Other supporters include individual firms such as British Petroleum and Waste Management Inc., national renewable energy associations such as the American Wind Energy Association, and several leading environmental groups such as NRDC and EDF.

The importance of this effort is underlined by recent discussions with several of the green power marketers, which are struggling to establish a market for new green power. One marketer has identified prospective developers for 87 green power projects across 18 states that would benefit from the availability of the renewable energy insurance. This represents about 850 MW of net new green power including 300 MW of biomass, 250 MW of wind, 160 MW of geothermal, and 50 MW of solar. Marketers, developers, and project financiers agree that, for the vast majority of these projects, the renewable energy insurance would be important in securing project financing under reasonable terms.

Prepared by: Michael Tennis, AllEnergy Marketing Company on behalf of the Renewable Energy Alliance.

Question 4. Will public power entities strongly oppose this initiative?

Answer: Consultation with the public power entities will be necessary to facilitate broad coalition support for this initiative. A degree of tension currently exists between public power entities and investor owned utilities ("IOUs") over the advantages public power entities enjoy in an increasing competitive market. Edison Electric Institute ("EEI") is concerned that public power entities have access to lower-cost capital through tax-exempt financing. Although EEI would prefer to eliminate all tax-exempt financing of public power entities investment, expansion of that benefit to IOUs may mitigate against those efforts. Moreover, there is a historical precedent of tax-exempt financing for private and utilities currently have access to tax-exempt financing for certain non-clean air related projects, such as hazardous waste and wastewater treatment.

Question 5. Tax-exempt financing is an inefficient form of subsidy, why not provide direct grants for investments in qualified technologies?

Answer: Tax-exempt bonds have financed the vast majority of infrastructure investments in the United States over the last several decades. Although it may have certain inefficiencies in delivery of government subsidies, tax-exempt financing is a highly efficient means of raising capital.

A direct grant program to buy down the cost of new technology investments would be extremely expensive in the early years of implementation. Under the Clean Air Bond Initiative, the cost to the federal treasury in the first year is \$20M and \$60M in the second. This level of subsidy would leverage \$6B in financings by utilities in clean air technologies. It would take hundreds of millions of dollars in grant funding to stimulate \$6B in clean air technologies.

Although the out year cost of the tax-exempt program would grow over time, the upfront cost would be substantially lower than any direct grant program. Moreover, provisions can be added to the program to prohibit unnecessary growth in the program in the out years, including a prohibition on refinancing a project with tax-exempt bonds and early redemption provisions if interest rates move dramatically in certain directions. The term of bonds could also be a factor in the competitive evaluation criteria.

Question 6. Is there any precedence for the competitive allocation of tax benefits for private industries?

Answer: Yes. Every year states are allocated a certain amount of bonding authority under the "private activity bond" volume cap. States then decide which of the various competing private activities are allocated these bond authority dollars. It is basically a competitive process driven by state rules and regulations. Moreover, states also allocate low-income housing tax credits to private sector developers on a competitive basis. Here, again, states establish competitive criteria and select the beneficiaries of tax credits based on a set of objective standards. There is ample precedent for competitive selection of private industry applicants for tax-exempt financing authority and federal tax credits. Indeed, there are 50 different models to draw from under the state volume cap and another 50 examples to draw from in the allocation of low-income housing tax credits. It should not be difficult to establish a national, competitive criteria for the granting of clean air bonding authority.

Question 7. Will the administration of the this program require the creation of a new large government bureaucracy?

Answer: No. Here, again, we can turn to the states for guidance. In most cases, the allocation of bonding authority among private activity applicants is done by existing state authorities or state treasurers. No state has created a separate government entity to allocate tax-exempt financing authority to the private sector on a competitive basis. The Clean Air Bond Board consisting of appointees from EPA, Treasury and the Department of Energy could, with a minimal number of staff, develop evaluation criteria and evaluate the projects. The evaluation of the emission reductions claimed by each applicant would be outsourced to engineering firms. However, these evaluations would not be terribly expensive as they are focused exclusive on emission reductions, not other aspects of the plant construction and operation. Several models exist for estimating emission levels based on the application of particular technology or the switch to cleaner fuel sources. The Board would need to adopt one particular model and apply it to all applicant submissions.

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Clean Energy Group
Integrated Air Quality Strategy for the Power Generation Industry

Introduction

Several initiatives have been undertaken over the past decade to explore the concept of a national uniform multiple pollutant regulatory strategy with dates certain for the power generation industry. Regulators have been motivated to explore the concept as a way to ensure environmental benefits without harming economic growth. Industry has shown interest in the concept because it:

1. has the potential to provide regulatory stability (over 10-15 years) for new capital investments and facilitates the management of existing assets;
2. internalizes environmental costs for all generators in the competitive market;
3. facilitates the elimination of certain existing regulatory barriers to new source developments and efficiency improvements by streamlining New Source Review (NSR) requirements; and
4. reduces compliance costs and helps protect asset value.

The following proposal lays out a framework to initiate discussion of a national uniform multiple pollutant regulatory strategy which can be achieved within the context of existing Clean Air Act authority and in conjunction with voluntary agreements.* The framework involves the integration of future emission reduction targets with enhanced NSR flexibility as a means to achieve substantial air quality benefits in a cost-effective manner. This proposed framework should be viewed as a package, each individual element playing a key role toward achieving the overall strategy goal.

Framework Objectives

- Achieve air quality improvements sufficient to attain and maintain the nation's air quality standards and goals.
- Establish an integrated air pollution management system which relies on market based mechanisms.
- Implementation of emission reductions at least cost.
- Achieve regulatory certainty over a period of 10 to 15 years.
- Streamline NSR requirements and encourage the development of new clean energy generation.

* This framework does not represent a formal CEG proposal, but rather is intended to provide a starting point for discussion.

Framework Principles

The following principles are suggested for discussion when considering a multiple pollutant regulatory strategy:

1) national declining tonnage caps for NOx, SO_2, mercury and CO_2 to be achieved by dates certain;
2) allocations under tonnage caps based on a portfolio output basis (i.e., total energy), insuring that new and existing sources receive equal treatment;
3) NOx cap should vary during the summer ozone season versus non-ozone season;
4) reward early reductions and efficiency;
5) mercury control requirements should avoid a command-and-control approach, based on a source-by-source control requirement that would limit compliance options and increase costs;
6) national trading and banking of allowances;
7) within the bounds of existing Clean Air Act authority revise the new source review program to enable sources to operate under a series of emission caps and to use a potential-to-potential test for NSR applicability determinations;
8) an allowance reserve should be set aside for new sources entering the market.

Strawman Framework

National tonnage caps, implemented over the course of 5 to 15 years consistent with the principles outlined above, for NOx, SO_2, mercury and CO_2 by dates certain. The pollutant caps listed below are based on public health and environmental quality objectives and promise to deliver significant and timely improvements in air quality on both a national and international scale. Reductions proposed for NOx and SO_2 emissions would significantly mitigate the problems of fine particulate pollution, ground-level ozone, acid rain, regional haze, and the nitrification of certain bays and estuaries. Reductions in emissions of mercury are proposed to address the health effects currently under investigation by EPA and other researchers, and reductions in CO_2 emissions are proposed to mitigate the risks of climate change. By addressing these pollutants under the auspices of an integrated strategy, multiple air quality objectives will be achieved while delivering substantial economic benefits relative to a strategy that addresses these air quality problems separately.

Pollutant caps for NOx, mercury, and CO_2 to be implemented under a national, cap and trade program, with allowance allocated on a total energy/output basis and credit awarded for early action. SO_2 reductions to be implemented under the existing Acid Rain program. Further emission reductions beyond the national, proposed targets may be required in order to insure attainment and maintenance of existing health based standards.

Please note that the targets presented have not been endorsed by the Clean Energy Group companies, but are intended as a starting point for discussions.

Pollutant	National Tonnage Cap	Performance Targets	Schedule
NO_x	Two-phase program:	Two-phase program:	
	4.22 million tons	0.15 lbs/MMBtu in the 22-state SIP call region	2003
	2.11 million tons	50% reduction*	2007-08
SO_2	4.5 million tons	50% reduction beyond Phase II Acid Rain requirements	2007-08
mercury	Two phase program:	Two phase program**:	
	26 tons	50% reduction	2005-06
	5-16 tons	70%-90% reduction	2010
CO_2	Two phase program:	Two phase program:	
	1,914 million tons	Stabilization at 1990 emission levels	2008
	Unknown	Consistent with national emission goal	2012

* Environmental benefits resulting from implementation of the NOx SIP Call are not to be affected in transitioning to a national/annual NOx program.

** Mercury reduction targets to be consistent with EPA's on-going regulatory determination process.

Talking Points

4/21/2000 8:55 AM

On Earth Day, the Vice President will make an address on the environment which will include his vision as to the future of clean air regulation, focusing on the electric power generating industry . His statement will articulate how we can go about devising the next generation of clean air laws that will meet the combined objectives of cleaning our air, reducing greenhouse gases, and keeping our economy strong. While not unveiling a detailed proposal with specific time lines or metrics, he will outline the principles that should guide the design of such a law:

- **Responding to Market Shortcomings/Treating all Stakeholders Fairly.** While we must meet strong environmental goals, this vision recognizes that we need also to be prepared to provide needed incentives and encouragement for power producers to do the right thing and to provide any needed assistance to anyone left behind. Any future law must be constructed with the input of all stakeholders, and with consideration to any needed economic assistance or incentives.

- **Rejecting the False Choice.** He believes we can balance critical environmental and economic priorities without sacrificing either.

- **Taking an Integrated Approach.** It simply doesn't make environmental or business sense to apply piecemeal regulations to separate pollutants. Both industry and environmentalists agree that the best approach is one that addresses all four relevant pollutants -- NOX, SO2, CO2 and Mercury – at the same time. Each pollutant must be controlled, but it is not fair to industry to pile on different regulations for each, one after the other. An integrated approach allows business to plan and innovate.

- **Treating All Power Plants the Same.** It's not fair to apply tougher rules to newer power plants than we do to older ones. Older plants should be subject to the same rules that every one else must live by.

- **Harnessing/Encouraging the Power of the Market.** By allowing industry to use the efficiencies of the market, we maximize our environmental goals while minimizing costs. A "cap and trade" approach promises environmental results while giving business managers flexibility to support technological innovation.

- **Moving Beyond "Command and Control".** In addition to a cap and trade approach, this vision calls for ending the current regulatory approach of micro-managing investment and technology decisions in exchange for real, longer-term environmental gains. We have had very encouraging preliminary conversations with industry, elected officials, labor and environmentalists. The Vice President is committed to working closely with all.

We have had very encouraging preliminary conversations with industry, elected officials, labor and environmentalists. The Vice President is committed to working closely with all.

Q & A

4/21/2000 9:05 AM

Are you trying to shut down coal plants?

No. In fact, this vision reflects the approach many of the biggest utilities themselves have acknowledged as the best way to proceed.

We are trying to meet important clean air goals. We are not dictating which plants make what specific changes. The companies will have flexibility to make the final decisions as well as the freedom to undertake technological innovations. Having said that, many old coal plants have not had to comply with the Clean Air Act for many years. Every one agrees that that was not the original intent of the law. We need to include all plants in the next generation of clean air law. In addition, everyone acknowledges that these old plants will be phased out and replaced with newer, cleaner technologies; it is simply a question of when.

Won't this mean huge increases in utility rates?

Very unlikely, but again, this is a vision and not a detailed plan with specific time-lines and metrics. It is impossible to pin dollar figures on this, but this approach is designed to maximize benefits and minimize costs. By giving utilities flexibility through market mechanisms, we expect minimal impact on prices. In addition, when considering the restructuring of the industry that is going on—and that Congress can complete by passing the Administration's restructuring bill, which will save consumers $20 billion per year – we are confident that we will keep rates low. Finally, when one factors in the estimated savings in health care costs (such as childhood asthma), we expect a very cost-effective result.

Is this just Al Gore panicking about climate change and trying to implement Kyoto?

Climate change is a serious threat and the American people expect their leaders to not shy away from taking tough action. This proposal is a serious response to that threat. But even if there was no concern about climate change, this vision is the right one. This approach is the best way to rid our air from harmful pollutants that cause asthma and other health problems; this approach is the best way to prevent the poisoning of our lakes and streams that is killing fish or rendering them inedible; this approach is the best way to clear the smog that plagues our cities and dirties our parks. As for Kyoto, this is obviously not "pre-implementation" of Kyoto, because this vision calls for legislation that only Congress can enact. Further, only the Senate can ratify a treaty. As we said, there are many important reasons to do this that have nothing to do with Kyoto.

Is the Vice President backing away from Kyoto?

The Vice President remains fully committed to Kyoto and looks forward to completing the work begun there and ensuring a treaty that is fair and effective.

Does labor support this new "vision"?

We would intend to work closely with labor in any process.

Are you starting a such a process?

This is about a vision for the future. What we are doing is laying out what a process should and would look like.

Does the President support this? Why isn't he doing this?

This is the Vice President's vision. Having said that, we know that the President shares our views about the importance of these issues and about addressing them in a smart and fair manner.

How does this relate to the EPA enforcement actions? Are you saying that EPA's approach is the wrong one?

This has nothing to do with the current lawsuits. We fully support EPA's effort to enforce current law. This vision is about the future, not the past.

Innovative insurance plan promises to leverage green power

A proposal to pump-prime insurance companies to cover some of the risk involved in marketing green power is working its way through the policy process in the US. The plan promises to bridge the gap in liberalised electricity markets between the short-term supply contracts that end-users are willing to sign and the long-term contracts that banks require in order to lend on new generation projects.

Gordon Edge, *The Financial Times*

The liberalisation of power markets gives a major opportunity to green power, since consumers have the choice of supplier, and hence can choose an electricity supply which is sourced from renewable generators. There is a barrier, however, in using the green power market as a means to support investment in new renewable capacity. On the one hand, end customers will not sign supply contracts for more than one or two years, with one year as a standard contract length, and some deals being signed for as little as one month. On the other hand, banks want to see power purchase agreements of at least ten years before lending on new projects. There is a gap here which, unless bridged, promises to stymie the growth of green power in those markets which have opened up to competition. At present, most power being sold by green power marketers in the US comes from existing capacity, with little new capacity being built to meet the demands of the green power market.

An initiative which has emerged from the green power industry in the US aims to fill this gap, and hedge the risk that green power marketers will be unable to obtain the "green premium" on which their financial plans are based. What the sponsors of this idea have in mind is an insurance product which offsets some of this risk and gives banks enough comfort to lend to new generation projects. The proponents of the initiative claim that up to 2,000 MW of new capacity may be leveraged using only $50 million of public money over five years.

The proposal emerged from a green power conference held in Washington in September 1998. Discussions between the Renewable Energy Alliance (REA), green power marketers, insurance firms and the US Department of Energy (DoE) led to a full proposal which was issued in January this year. The REA is a trade body promoting green power in the US, and counts AllEnergy, Green Mountain, Pacificorp and PG&E among its members, as well as the American Wind Energy Association. At present, the initiative depends on the budget being allocated from federal funds – the FY2000 budget is now being negotiated in Congress, and the proponents of the scheme are lobbying to get it included in the DoE appropriation.

Green premium insurance

The idea behind the initiative is to insure green power *marketers* against being unable to gain the above-market premium for their products that they will need to fulfil commitments made to green power *generators*, with whom they must sign long-term contracts. Banks will not lend on the risk that the nascent green power market will be strong enough to support projects beyond the first one or two years of a project's life, even though there are forecasts that customer demand is there which should support new capacity. The Centre for Resource Solutions, which administers the Green-E certification system, projects that the total demand for new green capacity from green power marketing will reach 960 MW by 2005. The insurance proposal offsets the risk that this demand will not be realised, which should allow finance to be obtained for new projects.

Under the scheme, a marketer would sign a power purchase agreement with the project developer, and simultaneously take out an insurance policy. The marketer will pay a premium to the insurance company related to the amount of cover required, and then attempt to sell the power to its customers. If the marketer cannot get the green premium price required to support its financial commitment, then it can claim back some of the difference from the insurance company, with the shortfall made up from internal funds of the marketer. Payouts from the insurance will work much as normal household insurance, with a deductible (the first portion of the shortfall which the insurance will not cover) and then a payout of half the loss incurred beyond the deductible's value up to a set maximum per kWh.

It is possible that insurance companies would develop similar products on their own, given time. At the moment, however, there is not enough volume of construction in the renewable energy industry to allow the sort of risk pooling that is envisaged, and experience of green power marketing is too short for a suitable assessment of the true risks. Public funds would hence be used in the short term to overcome this problem. Insurance companies should be keen to get involved as they will gain valuable experience of a kind of product that they will be able to offer once the programme ends.

The terms of the proposed insurance are that the policy will last for ten years. The risks involved in this time frame are twofold: there is the market risk that customers will not be willing to pay the extra cost during the ten year length of the policy, and then the technological risk that newer, cheaper renewable technologies will come on stream and undercut the capacity that the insurance was taken out on. The marketers would pay an annual premium of 3% of the coverage required over the term of the policy. If the *premium* that the marketers can obtain for the power covered on the open market, then the insurance pays out. Should the underlying market price of power fall so that there is a loss to the marketer even though the premium is unchanged, then the marketer is not covered, and must meet the loss from its own resources. The policy will not meet the first 0.5¢/kWh of loss, and beyond this figure the insurance companies will give the marketers half of the loss, up to a maximum of 2¢/kWh for projects using solar technology and 1¢/kWh for all other projects.

The table shows an example for a wind farm project in two instances. First, customers refuse to pay any green premium at all, which leads to a 2c/kWh shortfall in revenue, and secondly where customers will pay a premium, but only half of that needed to pay the wind farm developer.

The insurance is aimed at stimulating new capacity, and will only be available for new projects. The technologies covered by the insurance are wind, biomass, landfill, solar thermal, PV and geothermal.

Funding & implementation

Should the bid for federal funding for the initiative be successful, the insurance will be available for five years, starting in 2000. Over the five years of the programme's operation, public funds totalling $50 million would be used to pump-prime the scheme. This money would be made up of $5 million per year from the federal budget, and a matching figure from individual states participating in the scheme. The federal money would be sourced from the budget of the DoE's Office of Energy Efficiency and Renewable Energy, and hence would come ultimately from the congressional Energy and Water Appropriations Subcommittee account.

As an incentive for states to join in, the insurance would be preferentially available for projects within a particular state pro rata to their contribution to the funding. Thus, if a state were to deliver $1 million per year to the initiative, it should get 20% of the insurance. The state contributions would come from system benefit charges or similar that states have been implementing as a part of their market opening, and which are being used to support low income consumers, energy efficiency projects and renewable energy.

The public money would be used as a catalyst to promote the growth of green power. The costs of setting up the scheme, around $5-10 million, would come from the $50 million, with the rest being used to settle claims. Payouts to claimants would come first from the pool of premiums paid to the insurers, followed by the public funds, and if these sources are both exhausted, then the insurers would pay out from their own capital. It is possible that the public money will not be called on to cover claims (if the marketers always get the green premium they expect), in which case the money would be returned to public coffers at the end of the process. If the amount of cover sold by the insurers under the programme supports less than an agreed amount of capacity, then some money would also be returned to the public purse.

At the moment, six states are involved in the project: New York, New Jersey, Connecticut, California, Pennsylvania, Massachusetts and Rhode Island. These are all states which have opened or are in the process of opening their electricity markets.

A single insurance company or consortium of insurers will be chosen to offer the product through a request for proposals (RFP). A draft RFP will be published in advance in order to solicit input from the insurance industry and to assess the level of interest in offering the product on the part of insurers. There would be considerable scope for insurers to shape the implementation of the project to meet the objectives set by government and the green power industry. A number of insurance companies have been involved in developing the proposal, including Swiss Re, Hedge Financial Products, Worldlink Insurance and Energy Insurance Brokers, among others. This indicates that interest in taking on the project should be high.

Effect of insurance

The insurance product has been modelled by the proposers and, depending on the assumptions used in this process, they envisage that 500-2,000 MW of *new* renewable capacity would be built with the help of the insurance product that otherwise would not have been constructed. This can be compared to a forecast by the US Energy Information Administration, which projects that 1,240 MW of renewable capacity will be built in the period 2000-5, mostly in the form of state-mandated projects rather than wholly private-sector investments. The green power insurance product, therefore, has the potential to double the rate of capacity increase in the next five years, and for a relatively small sum of money. Assuming that claims are made so that all the public money is used up, then the cost in terms of support per kWh of extra renewable generation is only 0.1¢/kWh. Should all the claims be met out of the premiums paid by green power marketers, then the cost reduces to only 0.01c/kWh.

According to the green power marketers that have been involved in developing the proposal, the greatest risk is price erosion, i.e. that the premium that can be obtained on the market is reduced, rather than customers opting out of the green market altogether. Assuming that claims will be predominantly covering shortfalls in the premium of 50%, then the analysis of the proposers leads them to say that it is reasonable to conclude that the insurance product will leverage 1,000-2,000 MW of new capacity.

This proposal is a remarkably low-risk, high-return use of public funds to support the development of new renewable generation capacity. Should the proponents of the initiative be successful in securing federal funds for the project, then there should be increased activity in the renewable industry in the US for the next five years. The initiative also promises to keep American marketers ahead of the game globally, in that they have found a way of working with the grain of liberalised markets to boost renewable capacity – and liberal markets are spreading rapidly throughout the world. If Europe is to exploit free markets to create a vibrant renewable industry, then it will need similar innovative financial products to keep ahead of the game.

Documents relating to this initiative can be viewed at REA's website (http://www.realliance.org/insurance/index.html). An independent analysis of the proposal by the Renewable Energy Policy Project is also available in PDF format (http://www.repp.org/articles/means/means.pdf).

Table: Example of coverage under the green power insurance proposal (all figures per kWh)

Cost to GPM	Busbar cost	Green premium	Shortfall	Deductible	Shortfall after deductible	Payout
5c	3c	2c	2c	0.5c	1.5c	0.75c
5c	3c	2c	1c	0.5c	0.5c	0.25c

This article appeared in the *Financial Times Renewable Energy Report*, August 1999, pp. 24-26.

"McGinty, Kathleen A." <kathleen.mcginty@troutmansanders.com>
05/25/2000 09:50:14 AM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP

cc:
Subject: nsr/reliability quote

Roger--I'm copying here the exact language in the proposed rule. It is a bit softer than what had been implied to me. But, clearly, for the first time, actions taken to increase reliabilty will be looked upon with suspicion by EPA and expose utilities to potential NSR liabilities.

"The EPA's experience leads to the conclusion that sources generally make non-routine physical or operational changes which are substantial enough that they might trigger NSR in order to increase reliability, lower operating costs, or improve operational characteristics of the unit and do so in order that they may improve their market position."

(Federal Register/Vol. 63, No. 142/Friday, July 24, 1998/Notices

Taken from the EPA [FRL-6128-5] Notice of Availability; Alternatives for New Source Review (NSR)Applicability for Major Modifications; Solicitation of Comment)

Roger S. Ballentine
09/24/99 04:19:44 PM

Record Type: Record

To: George T. Frampton/CEQ/EOP@EOP

cc: Linda Lance/CEQ/EOP@EOP, Janet Anderson/WHCCTF/EOP@EOP
Subject: utilities

I guess the folks we met with yesterday didn't know about this, but this is our worst case scenario and exactly what these utilities asked the VP for help with a year ago. we should discuss.

---------------------- Forwarded by Roger S. Ballentine/WHO/EOP on 09/24/99 04:18 PM ---------------------------

Janet Anderson
09/24/99 01:46:02 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

cc:
Subject: utilities

My e-mail skills seem to have degraded today.

---------------------- Forwarded by Janet Anderson/WHCCTF/EOP on 09/24/99 01:44 PM ---------------------------

Janet Anderson
09/24/99 01:22:57 PM

Record Type: Record

To:

cc:
Subject: utilities

---------------------- Forwarded by Janet Anderson/WHCCTF/EOP on 09/24/99 01:05 PM ---------------------------

Janet Anderson
09/24/99 01:05:27 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

1 September

Roger,

I believe we need to take some quick steps to keep a utility reduction/NSR reform package an option.

- You (or Podesta) talk with Carol about the important public health and environmental benefits of this effort; flexibility is important as the first steps are taken
- CEOs may need to call Carol and request extension on enforcement efforts (Gary G. said this is commonplace) as they put together a package that may result in settlement
- Clarify position with WH counsel so you can move ahead on negotiations with Perciasepe and industry; this is a time-limited effort

I spoke with Bob and he still has staff (legal, I think) making some changes to your regulatory framework paper. The Saturday's NYT article about the NOx SIP call (attached) has kept him busy. This could have some bearing on the success of our initiative as it confirms there is the potential for flexibility we suspected on near-term NOx reductions. However, there is NO reason to let Pataki get ANY credit for this if we keep things moving. Let me know how you want to proceed.

Janet

COPY

The New York Times
Saturday, August 28, 1999

NORTHEAST STATES SOFTENING STANCE ON AIR STANDARDS

OTHER REGIONS MAY GAIN

New York Reportedly Leads Call for a Compromise on Windborne Pollution

By RICHARD PÉREZ-PEÑA

ALBANY, Aug. 27 — After years of battling over smokestack pollution that blows from the Midwest and the South, Northeastern states, led by New York, have signaled for the first time a willingness to retreat from their demands that other states significantly reduce their emissions.

A proposal by the Northeastern states for settling the dispute, drafted in the wake of legal setbacks, would accept emissions of a key class of pollutants by Midwestern and Southern industries at a rate 67 percent higher than the Northeastern states had demanded.

The states, with the encouragement of the Environmental Protection Agency, have been negotiating methods of meeting the criteria of the Clean Air Act.

The less stringent standard, introduced by negotiators for the Northeastern states on Tuesday and Wednesday in Washington, would still mandate a significant reduction in the pollutants, nitrogen oxides. The nitrogen oxides travel east and northeast on the prevailing winds, and contribute to ozone and to acid rain in the Northeast.

"It's just an option that all the states agreed to take back and discuss," said John P. Cahill, New York's environmental conservation commissioner, who represented the state in the talks. He described it as "something that was worked on by all the states of the Northeast."

But officials of other states involved in the talks, along with environmentalists who closely follow them, said the Pataki administration had taken the lead in crafting the new stance. While the representatives of the 10 other Northeastern states knew the proposal was to be floated as a trial balloon, it was not clear whether their states would accept the standard in the long run. New York's position carries great weight, and Mr. Cahill has acted as the region's lead negotiator in the talks with 14 states in the Midwest and South.

Environmentalists said that they are furious at the apparent retreat. "Anyone concerned with clean air and health would have huge reason to be outraged by this," said Peter Iwanowicz, who is the director of environmental health for the American Lung Association of New York State.

But Mr. Cahill suggested that a deal with the other regions may be the best the Northeastern states can attain, though he insisted that the Northeast has not given up hope that its original position might prevail. The E.P.A., which has taken the side

Continued on Page A12

Led by New York, Northeasterners Alter Stance on Air Pollutants From Other States

Continued From Page A1

of the Northeastern states, had been moving to impose the more stringent standard on the other regions through its regulatory power, but after two recent setbacks in court, the E.P.A. has pressed states on both sides to reach a compromise.

Some environmentalists and state officials saw politics behind the shift. "A negotiated deal is a big group hug among all these Republican governors," said a top environmental official with one of the Northeastern states, who spoke on the condition that his name and his state not be used. He said that Gov. George E. Pataki, who would like to be considered for his party's vice presidential nomination, "would get a lot of the credit" for a compromise.

Environmentalists argue that as Mr. Pataki tries to enhance his stature within the national Republican Party, it cannot help him to be involved in a dispute with other Republican governors, particularly when his pro-environment stance could be portrayed as anti-business.

Environmentalists argue that New York and the Northeastern states still have an important weapon left in their arsenal: they can sue under the 1990 amendments to the Clean Air Act to force action by the E.P.A. and the other states.

As a general rule, it is New York's Attorney General, Eliot L. Spitzer, a Democrat, not the Governor, who decides the state's position in litigation, and Mr. Spitzer might be able to pursue a lawsuit on the emission standards even if Mr. Pataki is unwilling. Officials in Mr. Spitzer's office declined to comment today on the new proposal from the Northeastern states, saying that they were still studying it.

Mr. Cahill said, "No one is taking any option off the table," including litigation.

At the same time, E.P.A. officials fear that if they try to impose a tougher standard on the Midwest and South, rather than striking a deal, the process could drag past the 2000 election, when there might be a Republican administration inclined to drop the matter entirely. Environmentalists say that those same E.P.A. officials do not want a pitched regional dispute to hinder Vice President Al Gore's Presidential bid.

Northeastern states have long complained that their high levels of nitrogen oxides are largely attributable to industries, particularly electric power plants, in the Midwest and South, a claim supported by the E.P.A. and by independent studies.

All the major urban areas of the Northeast, especially New York City and its suburbs, fail to meet the Clean Air Act standards for ozone pollution, which burns the eyes, stings the lungs and can, over time, contribute to serious health problems like asthma.

Over the last five years, 11 Northeastern states have filed petitions with the E.P.A., asking it to force industries in states to the west and south to meet, by 2003, a standard of .15 pounds of nitrogen oxide emissions for every million British thermal units of fuel consumption in the summer, when ozone is at its worst.

The Northeastern states have all agreed to move to the .15 standard, regardless of what other states do. That has raised fears in the power industry, which is moving to more freewheeling competition among power producers, that Northeastern power plants, forced to adopt expensive emission controls, could be put at a disadvantage.

Negotiators for the Midwest and South have proposed a standard of .25 pounds, 67 percent higher. Under the proposal made this week, the Northeastern states would accept that, at least at first, with a .25 standard by 2003, and a later reduction to .2. That marked the first time the Northeastern states have signaled that they would accept anything less stringent than .15, and officials with some of those states said they were not sure their states could actually agree to the proposal.

In the Northeast, where state rules are among the strictest in the nation, many power plants and factories already operate within the .15 standard. New York's Department of Environmental Conservation said that the statewide average is about .2.

In some Midwestern states, the average is two or three times as high. Even the .25 standard would require many power plants and factories in the South and the Midwest to install costly pollution control devices, and the stricter the standard, the more expensive it would be.

If all the regions cut emissions to .15, New York estimates, summertime nitrogen oxide levels in the New York metropolitan region would drop by about 80 percent. At .25, the decline would be more than 65 percent — significant, but not enough to get the metropolitan area into compliance with Federal ozone standards.

The E.P.A. said last year that it would impose the .15 standard, but several Midwestern states and utilities challenged that decision in court. In May, the United States Court of Appeals for the District of Columbia ruled that the E.P.A. had to establish the merits of its nitrogen oxide standards before it forced states to submit plans for reducing emissions. An earlier ruling by the court said the E.P.A. had not justified its standards on ozone and soot.

Given the court's decision, Mr. Cahill said, the Northeastern states might not be able to rely on the E.P.A. "The uncertainty of the court ruling certainly is giving all parties reason to pause," he said.

David R. Wooley, counsel to the Clean Air Task Force and a professor of environmental law at Pace University, said that Mr. Cahill's fear is understandable, but unwarranted. Like other environmentalists, he argued that a negotiated settlement could be unenforceable — a worry that Mr. Cahill acknowledged might be well-founded.

The Natural Resources Defense Council
1200 New York Avenue, N.W.
Suite 400
Washington, DC 20005
Phone: (202) 289-6868
Fax: (202) 289-1060

Date: 1/21/00

To: George Frampton, Roger Ballentine

Fax #: 456-2710 456-1736

From: Daniel Hawkins Phone: 202-289-6868

Total pages of fax (including cover): 3

Message:

To: George Frampton
Roger Ballentine
From: David Hawkins and Alden Meyer
Date: January 21, 2000
Re: SOTU text

As promised, here is proposed text for SOTU on climate and powerplants. The two intro paragraphs are suggested context setters; your folks may have better ways to make the same points. The last two paragraphs lay out what we hope would be said about a powerplant initiative. Please call either of us for follow-up: David (202-289-6868); Alden (202-332-0900).

One of the major challenges facing the United States and the rest of the world is coming to terms with the impact human actions are having on the planet's climate. Earth's atmosphere and the comparatively friendly climate it provides are what make possible the abundance of life on the planet we call home. Yet we are running the risk of profoundly damaging this incredible gift through continuing and growing pollution of the atmosphere with greenhouse gases. We depend so deeply on a hospitable climate that sometimes it's hard to focus on what is at stake. But if we ignore the danger signs of a changing climate we threaten the things we value most: good health, abundant agriculture, productive forests and fisheries. We may face increasingly violent and unpredictable weather--storms, floods and drought that make daily life and planning for a secure future much harder.

Some argue we don't know enough about climate change to act wisely. They are wrong about that. We know that temperatures are rising: The 1990s were the hottest decade of the last century, if not the last millenium. There is compelling evidence that this is no coincidence. The fingerprint of greenhouse pollution can be found in the weather seen around the world. The main source of the problem is also clear: inefficient use of fossil fuels in electric powerplants and vehicles. Common sense policies can stimulate the use of new technologies to cut back on greenhouse pollution from these sources without disturbing the longest peacetime growth we have ever experienced.

Modernizing the electricity industry is particularly important. Electric powerplants account for two-thirds of our nation's burden of harmful sulfur dioxide and over one-third each of smog-forming nitrogen oxides, toxic mercury and carbon dioxide. Thirty years ago Congress thought powerplant pollution would drop dramatically as old, dirty powerplants retired and were replaced by modern ones. But this has not happened. Instead, most of our powerplant pollution still comes from plants that were built more than a quarter century ago, which are not required to meet modern pollution standards. The time has come for us to clean up these outmoded pollution sources. Where current laws have been violated we are seeking prompt compliance. But we also believe current law can be improved.

Bipartisan bills have been introduced in both House of Congress to achieve dramatic reductions in the four major pollutants from these plants by closing the loopholes in current law and providing needed support for energy efficiency and renewable energy resources. The sponsors of these bills have the right idea and I want to work with them and other members of Congress to enact legislation that cleans up powerplant pollution once and for all. If we work together we can clear the air and take a major step in protecting the climate. Leadership at home will help us secure corresponding action from other countries of the world against the threat of global warming.

David Doniger

03/13/00 06:20 PM

To: David_Gardiner@ceq.eop.gov, Roger_S._Balentine@who.eop.gov

cc: Robert Perciasepe/DC/USEPA/US@EPA

Subject: Wily Wyly

Have you seen this, from today's Greenwire?

Wyly Promises More Ads

Dallas entrepreneur Sam Wyly last week said that his newly formed group, Republicans for Clean Air, will continue to run advertisements in the presidential campaign to increase public attention on the issue of coal-burning power plants. The group broadcast TV ads in California, New York and Ohio prior to their Republican primaries, criticizing McCain's record on renewable energy programs and praising Bush (Hugh Aynesworth, Washington Times).

Doniger.David@epamail.epa.gov
03/14/2000 06:57:27 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP

cc:
Subject:

Roger, I cannot find the Washington Times piece referenced in Greenwire. But here is one from the Post. See bolded passages below.

Texan Aired 'Clean Air' Ads
Bush's Campaign Not Involved, Billionaire Says

By John Mintz
Washington Post Staff Writer
Saturday, March 4, 2000; Page A06

The mystery of who financed $2.1 million worth of television commercials praising Texas Gov. George W. Bush's environmental record was solved yesterday when a billionaire Dallas investor announced that he aired the ads to promote a pet cause and business interest: alternative energy sources.

After a day of public puzzlement about who was behind the ads--and accusations by Sen. John McCain that Bush's campaign appeared to be involved--businessman Sam Wyly revealed that he formed the group, Republicans for Clean Air, which broadcast the ads in several primary states.

Wyly, who describes himself as a Republican who supports abortion rights and gay rights, denied in an interview yesterday that he or his aides coordinated their ad campaign in any way with Bush or his staff--although Wyly and his family have been among Bush's biggest financial backers. The McCain campaign continued to assert that Wyly's group is a front for the Bush operation and filed a formal complaint yesterday with the Federal Communications Commission making that claim.

"I'm a monomaniac with a mission," Wyly said. "My mission is to get this message of obtaining clean air through clean energy onto the national agenda. . . . I want to end the huge damage that these dirty old polluting power plants are doing to so many individuals around the country." Wyly has invested millions in businesses that promote alternative energy.

Wyly yesterday staged what must be one of the quirkier political debuts in recent memory. After his ads created controversy about the identity of Republicans for Clean Air, he called reporters to disclose that he is the group--and that he intends to put its issue on the political map. Wyly aides said it was all arranged to generate maximum "buzz."

The episode also demonstrates how meaningless the campaign finance laws are to individuals or groups who want to take a political stand while keeping their identities secret. Independent groups say the law does not require them to reveal their contributors or spending if they do not explicitly urge voters to elect or defeat specific candidates.

While the great majority of environmental groups have bitterly denounced Bush for what they say is a poor record on clean air, Wyly said Bush has performed admirably on the narrow issue he cares most deeply about: cracking down on emissions by electric utilities, the source of much of the nation's most serious pollution.

Last year, Bush signed a law that made Texas only the third state to order power plants to reduce emissions. At the same time, Bush allowed the oil and chemical industries to design their own relatively lax, voluntary pollution plan, which has drawn furious attacks from environmental activists as well as the McCain campaign.

Bush said he had "no knowledge whatsoever" of Wyly's ad, which attacks McCain for a vote against a solar power measure and praises Bush for reining in the electric utilities. It ends by saying, "Gov. Bush, leading, so each day dawns brighter."

The McCain campaign, meanwhile, stepped up its accusations that Wyly was a Bush puppet--an assertion Wyly called absurd.

Rick Davis, McCain's campaign manager, said the ads--which are running in New York, California, Ohio and Vermont--were "sponsored, coordinated and managed by the George Bush campaign." He said Wyly's assertion that he is an independent actor is "the most recent scam."

"It is irrational to believe that this was a good-faith effort on Sam Wyly's part on an issue he's never had involvement in," Davis said, adding that Wyly "has no interest in the environment and is only working for people who are interested in seeing John McCain defeated."

Wyly in recent years has built solid credentials in his field of clean energy. After two decades in the computer software business--just two weeks ago he and his brother Charles sold two firms for $7.9 billion, personally netting them $500 million--Sam Wyly recently turned to the issue of renewable energy after his children convinced him of its importance.

He saw a way to make money on solar and wind-generated power as more and more states deregulate their utility industries. Recently he poured $100 million into a firm called GreenMountain.com, which now has more than 100,000 customers in Pennsylvania and California.

Last spring, Wyly, with a small knot of Texas environmentalists, persuaded Bush to sign a utility deregulation bill that contained the

crackdown on
power plants, despite intense lobbying by utilities.

Wyly has been a generous Bush financial supporter. He and his brother
Charles gave Bush's two gubernatorial campaigns $210,000, establishing
them as two of Bush's largest backers over his political life. Charles is a
Bush "Pioneer" who raised at least $100,000 for Bush's presidential
campaign. In addition, the brothers and their families have given various
GOP candidates and committees $171,000 since 1997.

In 1997, Wyly contributed $1,000 to McCain, whom Wyly praises as "a
pretty good senator . . . but I tagged him" in the ad for his one vote against
a solar power measure. McCain said the criticism was unfair because he's
supported renewable energy many other times.

A native of a tiny town in Louisiana, Wyly co-founded one of the nation's
earliest computer software and service firms in 1963, and sold it years later
for $840 million. Now that he's made a fortune, he said he's devoting his
life to offering consumers options for clean energy sources.

"I want to get this message before every Republican congressman and
senator, before Democrats, too, since it takes both," he said, adding that
he has no immediate plans for more ads. He declined comment on Vice
President Gore, except to say Gore has never taken the step Bush has of
advocating mandatory pollution restrictions on utilities.

"I'll address that," he said, "when we get to the general election."

Staff writers Terry M. Neal and Edward Walsh in New York contributed
to this report.

Phil
FYI
Robin

AD WATCH

the reality behind the rhetoric

"Bush and Air Pollution"
Republicans for Clean Air
3/1/00

Bush Ad

Announcer: "Last year, John McCain voted against solar and renewable energy. That means more use of coal burning plants that pollute our air. New York Republicans care about clear air. So does Governor Bush...."

The Facts

Fact: Environmental Coalition Blamed Bush for Texas' Dirty Air. A coalition of 44 environmental groups called the Texas Air Crisis Campaign released a report in 1999 detailing how Texas air quality had deteriorated under Bush. "We believe the air crisis is due to the intentional acts and conscious indifference of Governor Bush, his appointees to the Texas Natural Resource Conservation Commission and the Legislature. There are both sins of omission and sins of emission," said Meg Haenn of the Campaign. The group blamed Bush's poor vehicle emissions program and his allowance of grandfathered companies to continue polluting with no mandatory regulations. [Dallas Morning News, 10/20/99; Austin American-Statesman, 10/20/99; Fort Worth Star-Telegram, 10/20/99]

Fact: Bush Was In Office Two Years Before Even Asking About Major Texas Polluters. Bush was elected in 1995, but it wasn't until 1997 that he even heard of grandfathered polluters. During a meeting in 1997, a staffer mentioned grandfathered polluters in Texas and Bush asked, "What are those?" When the Texas Clean Air Act was passed in 1971, plants which already existed were exempt ["grandfathered"] from the regulations with the idea they would soon shut down. Over 800 of them still exist, and they generate the majority of Texas' toxic air pollution. [Time, 2/21/00]

Texas Cities Were Already Out of Compliance in 1997. Dallas exceeded federal ozone standards 15 times in 1995, and four times in 1996. In 1999, Bush's environmental administrators claimed they did not have enough warning to get a clean air plan together. [Dallas Morning News, 3/12/99]

Fact: Key Statistics on Texas Air:

- Texas is ranked as the worst state in the country for: all air releases, confirmed carcinogens to the air, suspected carcinogens to the air, and cancer risk from pollutants;
- Air pollution in Texas can be blamed for 2,617 premature deaths across Texas each year;
- Houston even passed Los Angles in 1999 as the city with the highest levels of ozone in the country;
- Seven Texas Cities Failed Federal Clean Air Standards: Austin, San Antonio, and Tyler-Longview were declared in violation of clean air standards by the EPA this year. Under Bush, Houston, Dallas,

Bush's flawed voluntary plan, almost 230,000 Texas children in seven urban counties may be exposed to as much as 295,000 tons of air pollution each year because they attend schools within two miles of older industrial plants that are under the voluntary permit program. [Austin American-Statesman, 7/26/95, 6/10/98; Houston Chronicle, 11/19/97; Associated Press State & Local Wire, 1/20/99; "Dirty Air, Dirty Money," June 1998 report by Texans for Public Justice; Center for Responsive Politics, www.crp.org; Grandfathered Air Pollution: The Dirty Secret of Texas Industries, 4/27/98]

Bush Ad

Announcer: "Bush clean air laws will reduce air pollution more than a quarter million tons a year. That's like taking five million cars off the road. Governor Bush: Leading so each day dawns brighter...."

The Facts

Fact: Bush's Voluntary Plan Was A Failure. Though in 1998 Bush claimed his voluntary plan was a success, one year after implementing the program, less than half of one percent of emission from the grandfathered plants had been reduced. In 1999, only three of the 36 plants who pledged to reduce emissions had actually done so. [Portsmith Herald, 6/12/99; San Antonio Express-News, 4/14/99]

Fact: Toxic Air Emissions are Up Under Bush. According to the Washington Post, "Last week the state's environmental agency, the Texas Natural Resource Conservation Commission (TNRCC), claimed an 11 percent reduction in industrial emissions from 1994 to1997. But environmentalists strenuously dispute the number, saying Environmental Protection Agency statistics show a 10 percent jump. Now EPA is threatening to cut off hundreds of millions of dollars in highway funds to Dallas and Fort Worth -- and to force imposition of draconian air-emissions rules on Texas motorists and industries -- because of the cities' failure to meet clean air requirements. Many officials there, most Republicans, complain that Bush's appointees have failed to help them attack air pollution." [Washington Post, 10/15/99]

Fact: Federal Government Mandated 90 Percent Cut In Emissions in Houston; Even Removing Every Car Wouldn't Get Houston Into Compliance. In 1999, pollution in Texas became so critical that federal regulators mandated emissions must be cut in Houston by 90 percent or the state would lose billions in highway funds. The necessary reduction is so severe, even if every car were taken off the road in Houston, the city would still be out of compliance with federal safe ozone levels. "There's a pretty solid record showing acts by Governor Bush that made it harder for the state to reduce emissions," said Peter Altman, director of the Austin-based Sustainable Energy and Economic Development Coalition. In 2000, environmental groups and elected officials criticized the new TNRCC plan to reduce air emissions for not addressing industry pollution. [Christian Science Monitor, 11/12/99; Boston Globe, 11/16/99; Washington Post, 10/15/99; Associated Press, 1/26/00]

Fact: EPA Said Texas' Cleanup Plan Was Not Adequate. Officials from the EPA said that the TNRCC must cut emissions further than was mandated in the plan the TNRCC submitted. The TNRCC's plan fell short by 118 tons per day, according to EPA estimates. The EPA plans to give final approval to the plan by April 15, 2000, or the state will begin losing federal transportation money by May 2000. Texas officials admitted their first plan was did not contain enough cuts to get them into federal compliance for air quality. Texas will also be required to submit plans for Beaumont and Dallas-Forth Worth next year. Houston was one of 9 cities the EPA cited as having an inadequate cleanup plan. [Houston Chronicle, 12/2/99; Wall Street Journal, 12/2/99]

- Texas had seven of the top ten cities with the highest concentrations of ozone during 1-hour periods, including Texas City and Houston in slots one and two. [Sierra Club Press Release, 8/17/99; [Environmental Defense Fund scorecards, http://scorcard.org; Houston Chronicle, 6/29/98, 10/12/99; Dallas Morning News, 10/29/99; Austin American-Statesman, 9/7/99, 8/21/99]

Bush Ad

Announcer: "He led one of the first states in America to clamp down on old coal-burning electric power plants...."

The Facts

Fact: Bush Opposes Regulating Polluters. "I do not believe you can sue your way or regulate your way to clean air and clean water," Bush has said. [Dallas Morning News, 12/1/99]

Fact: Bush Proposed Two Voluntary Laws, One Limited Mandatory Law:

1997: Bush Let Polluting Contributors Design Voluntary Clean-Up Plan. In 1997, Bush pushed a voluntary-permits plan for so-called "grandfathered companies" -- companies that were exempt from 1971 Clean Air Act Standards because they were already built or under construction when the 1971 law was passed. Bush allowed grandfathered-company representatives who had contributed to his campaign to help draft the plan. From 1994-1999, Bush took $1,371,795 in gubernatorial and presidential campaign contributions from grandfathered companies' PACs and company officials. Of the 984,000 tons of air pollution produced by grandfathered companies, 741,009 tons -- 75 percent -- came from companies who donated $500 or more to Bush's gubernatorial races from 1994-1998. In 1999 Bush accepted at least $11,500 from Exxon, which wrote in a 1997 letter sent to Bush's Environmental Policy director and other grandfathered industries, "In early March, while discussing the National Ambient Air Quality Standards Issue with Governor Bush, he asked us to work with his office to develop the concepts of a voluntary program." [Bush 7/15 FEC filing, Letter from Exxon representative 6/12/97; Austin American-Statesman, 6/10/98; "Dirty Air, Dirty Money," June 1998 report by Texans for Public Justice; Grandfathered Air Pollution: The Dirty Secret of Texas Industries, 4/27/98; Center for Responsive Politics, www.crp.org; AP, 4/30/99]

1999: Second Voluntary Bill Also Inadequate. In 1999, Bush signed another voluntary permit bill into law. SB766 does not mandate that companies clean up their air pollution, but does increase the fees they must pay if they continue to pollute. Environmentalists estimated that only eight or nine grandfathered companies -- out of more than 800 -- are likely to reduce emissions because of the Bush-signed legislation. "The responsibility for the failure of the Texas Legislature to pass legislation closing the grandfather loophole and achieving necessary clean air benefits for Texas rests with George W. Bush.... The Governor chose to placate his polluter friends and contributors rather than move more aggressively against grandfathered polluters," said Ken Kramer, director of the Sierra Club. [Sierra Club Press Release, 6/1/99; San Antonio Express-News, 6/4/99]

Bush Only Agreed to Mandatory Law in 1999 to Appease Transportation Lobby. After the EPA threatened to cut of federal transportation funds to Texas for not having a plan to correct the frequent violations of federal clean air standards, the Texas transportation lobby began pressuring Bush to pass new laws. Bush then successfully supported a bill to require utility companies to cut emissions, and the second voluntary bill for grandfathered companies. [Washington Post, 10/15/99]

Draft

POLICY DEVELOPMENT PROCESS:

POWER SECTOR EMISSIONS

February, 00

1. **Initial, Agenda-Setting Mtg** – Called by Podesta/Frampton/Sperling

   - **Attendees** (Assistant Secretary level or above)

     - CEA/OEI/LA/OMB/IGA
     - EPA
     - DOE
     - Treas.
     - DOL
     - State
     - DOI
     - OVP

   - **Message:** Intent to develop, on fast-track basis, multi-pollutant proposed regulatory scheme for power plant emissions. Without pre-judging result, the effort is a Presidential priority. Precise form of final product (statement of principles, draft bill, or something in between) TBD. Target date for completion: March 30.

   - **State Governing Policy Objectives**

   1. *Combine regulatory innovation and flexibility with market-based measures to achieve ambitious reduction requirements;*
   2. *Achieve multi-pollutant reductions, including carbon;*
   3. *Do not undercut ongoing efforts to enforce current clean air requirements;*

   - **Next Steps:** Minsk-Ballentine led interagency meetings to proceed issue by issue.

2. **Agenda for Minsk-Ballentine Process**

The interagency meetings will consider options and resolve differences regarding the following issues:

- Breadth of proposal: sector(s) covered; treatment of mercury.

- Modification of the New Source Review requirements of the Clean Air Act.

- Dealing with "hot spots".

- Distribution of permits.
- Design of emissions trading system.
- Transition assistance.
- Emissions targets and timing and related costs and benefits .

STATEMENT OF ADMINISTRATION PRINCIPLES:

Federal Action to Clean Up Power Plants

General Principles

1. *Combine flexibility in compliance methods with ambitious reduction requirements;*
2. *Encourage/do not discourage fuel-switching and retirement of old plants;*
3. *Get to greatest reductions by harnessing economic efficiency/ market-based implementation;*
4. *Do not impact local ambient air quality standards;*
5. *Achieve multi-pollutant reductions;*
6. *Encourage/do not discourage increases in efficiency.*

The current CAA framework can make these principles difficult to achieve simultaneously, thus requiring creative problem solving as the Administration works to address serious public health and environmental concerns.

Policy priorities

1. *Substantial reductions in SO_2 and NO_x ;*
2. *Delivery of multi-pollutant reductions and additional environmental benefits, such as fuel switching, plant retirements, and efficiency improvements;*
3. *Certainty (e.g. limited NSR) in exchange for such reductions and other benefits;*
4. *Not decreasing efficiency or providing disincentives for fuel-switching.*

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

Dan
Roger
Wesley
Linda
Brad
Beth

December 9, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR. GTFJr.
ROGER BALLENTINE

SUBJECT: PROPOSED STATE OF THE UNION INITIATIVES

This memo outlines five potential State of the Union announcements for your consideration. Four of them – Clean Energy for the 21st Century, A Permanent Lands Legacy, Clean Waters Across America, and Building More Livable Communities – build on existing priorities. The fifth – Greening the Globe – would establish a major new priority.

CLEAN ENERGY FOR THE 21ST CENTURY

Action: You would announce your final, major climate change initiative, with both international and domestic components, including: 1) new efforts to promote clean energy technologies in developing countries; 2) a strategy for reducing greenhouse gas and other harmful emissions from U.S. coal-fired power plants; and 3) a challenge to the auto industry to significantly improve vehicle fuel economy.

Background: Over the past seven years, you and Vice President Gore have significantly elevated the issue of climate change on the domestic and international agendas and launched major initiatives to begin meeting this global challenge. The success of these efforts is evidenced, in part, by growing recognition by the American public and by corporate leaders that this issue is real and must be addressed. You have called for a new paradigm in meeting this challenge – that both developed and developing countries can limit their emissions while growing their economies.

The coming year represents the final opportunity for your Administration to build on these achievements and to put this new vision to the test. Diplomatically, we face two critical challenges: ensuring successful negotiations next November in the The Hague on the operational rules of the market-based mechanisms established by the Kyoto Protocol; and achieving more meaningful participation by developing countries. Domestically, we must begin laying the groundwork for achieving more significant emissions reductions, particularly in the two sectors with the greatest emissions: transportation and electricity generation.

These proposed initiatives would provide new incentives and mechanisms for reducing domestic mechanisms; demonstrate forcefully to the international community that the United States is fully committed to domestic emissions reduction; and assist developing countries in adopting growth paths that are both robust and clean.

Specific initiatives include:

<u>*Global Clean Energy in the 21st Century*</u> – You would propose new research, demonstration and export promotion measures to accelerate the development and deployment of clean energy technologies in developing countries.

This effort builds on the recommendations of the President's Council of Advisors on Science and Technology. Electric power accounts for one third of global greenhouse gas emissions, with the fastest growth occurring in developing countries. By 2020, a projected $1.7 trillion will be invested in electric power capacity in developing countries. These measures would help demonstrate to developing countries that they can protect the environment while growing their economies, and would help encourage their participation in global climate change efforts.

This proposal has three elements: improved coordination of existing programs at DOE, USAID, TDA, EXIM, OPIC and Commerce; new funding for research and development, policy reform and capacity building, and trade promotion and finance; and continued efforts within the OECD, G8 and WTO to steer capital flows to clean energy development.

<u>*Investing in Clean Power at Home*</u> – You would propose major new legislation to reduce greenhouse gas and other harmful emissions from older coal-fired power plants, and a Clean Air Bond to help finance the conversion of these plants to cleaner, more efficient technologies.

More than two-thirds of U.S. power plants are more than 30 years old and, as such, are not subject to the same Clean Air Act requirements as new plants. These plants are a major source of pollutants that contribute to smog and acid rain. They also are far less efficient than modern plants, making them major emitters of greenhouse gases.

Utilities will soon face major investment decisions – whether to retire these plants or extend their lives. These decisions are driven by mounting pressure to reduce conventional pollutants (new Clean Air Act requirements as well as state litigation in New York and Connecticut) and new uncertainties associated with electricity restructuring (the need for new capacity and additional cost competition). With the right strategy, we can make carbon reduction a central element in these investment decisions, provide the regulatory certainty the utilities seek, and achieve the greatest environmental benefit for the least cost by allowing the regulated entities the flexibility to comply in the most economically efficient manner.

To those ends, you would propose major legislation to mandate reductions in conventional pollutants and – for the first time – greenhouse gas emissions. These reductions would be achieved by setting caps to be phased in over 15 years – while easing permitting requirements that might deter plant modernizations – and by allowing market-based emissions trading. In addition, you would propose incentives for early action by utilities, in the form of a special class of tax-exempt "private activity bonds" to finance qualified clean energy investments.

While these steps would significantly strengthen domestic emissions reduction efforts, there may be considerable political fallout, particularly in coal states.

Choosing Fuel Economy – You would invite the CEOs of the auto companies to the White House to explore ways they can voluntarily improve fuel economy, and pledge to move forward on CAFÉ standards if they do not agree to act on their own. You might also propose a labeling program, modeled on the very successful Energy Star program, to help consumers identify particularly energy efficient vehicles and to provide additional incentive to manufacturers to produce them.

Transportation accounts for roughly a third of U.S. greenhouse gas emissions and the average fuel economy of new vehicles has fallen to its lowest level since 1980. Technology exists to significantly improve fuel economy. In fact, in Europe, auto makers (including Ford/Europe, GM/Europe, and DaimlerChrysler) have voluntarily committed to a 25 percent improvement in fuel efficiency by 2008. In Japan, the government has mandated a 23 percent improvement in gasoline vehicles, and a 15 percent improvement in diesel vehicles, by 2010.

Yet, for the past three years, a rider on the Transportation budget bill has barred the Administration from even studying the possibility of raising fuel economy standards for light-duty trucks (including SUVs), which now represent half the new car market. Although this year environmentalists enlisted 40 senators for a resolution opposing the rider, there were insufficient votes to sustain a veto. When you signed the Transportation bill, you again criticized the rider and said: "We cannot continue to ignore this. For that reason, we will soon invite the leaders of the auto industry to the White House to try to find a way to address this issue...."

In issuing this invitation, you would challenge the auto makers to provide American consumers with a choice they deserve – vehicles that are safe, affordable, and significantly more fuel efficient. To be credible, this challenge must be accompanied by a clear statement that, if the auto makers do not make such a commitment, you will veto the rider and initiate a review of CAFÉ standards.

Cost: \$204 million in FY2001 (\$183 million for Global Clean Energy in the 21st Century and \$21 million for the Clean Air Bond).

A PERMANENT LANDS LEGACY

Action: You would again call on Congress to approve \$1 billion a year in permanent land conservation funding; announce new protections for selected federal lands; announce that you will conduct a Lands Legacy tour highlighting recent and new actions to protect natural treasures; and set a goal of expanding the national wildlife refuge system to 100 million acres by 2003, the system's 100^{th} anniversary.

Background: Last January, you announced a Lands Legacy initiative with two principal goals: $1 billion in FY 2000 for federal, state, and local efforts to protect land and coastal resources; and permanent funding of at least $1 billion a year to continue these efforts in the new century. In the recent budget negotiations, you secured $652 million for these efforts in FY 2000, a 42 percent increase over FY 1999. This includes the full funding needed to acquire the Baca Ranch. However, despite considerable bipartisan support for some form of dedicated or permanent funding, our last-minute "cap-and-fence" proposal for a dedicated fund similar to the highway trust fund did not win over the Appropriations committees.

As part of a package of initiatives for the coming year, your FY 2001 budget would propose another significant increase for Lands Legacy and would incorporate a "cap-and-fence" mechanism to ensure dedicated funding in the years ahead.

Other initiatives include:

> *New Land Protections* – Details are not yet available, but there may be opportunities to extend new protections to selected federal lands by executive action. Such lands would have natural, historic, or cultural values of national significance. Depending on the sites and the process employed, you would announce protections effective immediately or declare your intent to take such action within a certain time period (30-90 days).
>
> *Lands Legacy Tour* – You would announce plans to visit some of the natural treasures the Administration has protected, and possibly sites where new protections will be announced. The tour – or the first in a series of trips – could be scheduled for the week leading up to Earth Day. Possibilities include opening Headwaters Forest to the public, completing acquisition of Baca Ranch, visiting a site along the Lewis and Clark trail, inspecting some of the places proposed for executive designation, dedicating an addition to Pelican Island National Wildlife Refuge in Florida (the nation's first refuge, established by Theodore Roosevelt), dedicating an addition to a Civil War battlefield, and announcing our draft roadless protection rule at a national forest.
>
> *Expanding Wildlife Refuges* – You would set a goal of expanding the wildlife refuge system to 100 million acres by 2003, the system's 100^{th} anniversary. The refuge system, established by Theodore Roosevelt, is the world's oldest and largest network of lands dedicated to protecting wildlife, with 93 million acres in all 50 states. A goal of 100 million acres would be an important milepost for the Lands Legacy initiative.

Cost: $1.35 billion in FY 2001.

GREENING THE GLOBE

Action: You would announce a set of initiatives to promote forest conservation around the world, including: a new fund to promote conservation-based development in developing countries; increased funding for debt-for-nature swaps; and a challenge to other developed countries to join us in reforming trade and lending practices that promote forest destruction.

Background: Your Administration has made tremendous strides in improving management of America's national forests, culminating in your recent proposal to protect more than 40 million acres of roadless area. These accomplishments, coupled with the United States' record of leadership on global environmental issues, put us in a strong position to promote international action to protect forests elsewhere around the world.

Apart from clean air and water, protecting rain forests is perhaps the most popular environmental cause ever. Yet, despite widespread public attention, the state of the world's forests continues to worsen. Scientists believe that only a fifth of the Earth's original forest cover remains intact and healthy, and the United Nations estimates that 250 acres of tropical forest are logged every minute.

Efforts to initiate negotiations toward an international forest convention have been stalled by concerns over sovereignty and other issues. And while a portion of the multilateral Global Environment Facility established in 1992 in Rio is dedicated to forest conservation, Congress has withheld full funding of the U.S. share. Our best prospects for catalyzing international forest protection efforts are a significant increase for U.S.-sponsored conservation programs and a challenge to other developed countries to join us in reforming trade and finance practices that promote forest destruction. As you told environmentalists when you met with them last week in Seattle, such a program could be targeted to countries whose forests might be impacted by trade liberalization (e.g. Indonesia, Malaysia, Congo, Brazil and Peru).

This initiative includes:

> *Global Forest Fund* – You would propose $100 million in FY 2001 for programs at USAID that forge partnerships with conservation organizations and developing countries to promote conservation-based development. Funds would support training and technical assistance in areas such as conservation planning, watershed improvement and reforestation, and would be targeted to regions where deforestation poses the greatest threat of biodiversity loss. Partnership agreements would be structured in a way to leverage significant private funding for these efforts. (Members of the public could be offered an opportunity to contribute directly to this fund through a check-off box on federal tax returns.)
>
> *Debt-for-Nature* – You would propose $50 million in FY 2001 to implement the Tropical Forest Conservation Act, which authorizes the reduction of debt to the United States in exchange for forest protection efforts. You requested $50 million for this program in FY 2000 but Congress appropriated only $13 million.

Eliminating Forestry Subsidies – You would propose multilateral negotiations, perhaps in the new WTO Round, to phase out subsidies that promote overlogging. This complements our position at the WTO Ministerial, where USTR and CEQ declared our opposition to proposals on non-tariff measures that would undermine legitimate efforts to protect a country's forest resources.

Forestry Lending Standards – You would call on G7 countries to adopt standards that bar lending for projects that destroy primary forest or promote unsustainable forestry. The World Bank and OPIC already prohibit certain infrastructure and forestry projects in primary forests. At this year's G7 summit, we won language calling for environmental guidelines for export credit agencies by the 2001 summit. We would build on this by calling for explicit forest policies.

Cost: $150 million in FY 2001.

CLEAN WATERS ACROSS AMERICA

Action: You would propose doubling America's investment in clean water over the next 10 years with the goals of: ending beach closures, restoring the Great Lakes, shrinking the Gulf of Mexico "dead zone" and, ultimately, making all our rivers, lakes and coastal waters clean enough for fishing and swimming. You also would call on Congress to reauthorize a strengthened Clean Water Act.

Background: Despite tremendous headway in combating water pollution, 40 percent of America's surveyed waterways are still too polluted for fishing and swimming, and beaches are closed to swimmers more than 1000 times a year. Regionally, the "dead zone" in the Gulf of Mexico continues to grow larger, and toxic sediments pose a continuing pollution threat in the Great Lakes.

The five-year Clean Water Action Plan you launched early last year is providing new resources to control the largest remaining sources of water pollution: dirty runoff from farms and urban areas. In FY 1999 and FY 2000, you secured $3.4 billion to carry out the plan, much of it directed to helping communities and farmers reduce polluted runoff. We are recommending another increase for FY 2001.

However, achieving the goal of "fishable and swimmable" waters across the country will require new legislative authorities and significant new resources. A newly reauthorized Clean Water Act must close court-created loopholes in wetlands protections, restore citizens' rights to enforce clean water standards, and provide authority to regulate polluted runoff when states fail to act. And major new funding is needed to meet replace aging wastewater infrastructure nationwide and meet other water quality challenges.

In recent years, your budgets have proposed reductions for the Clean Water State Revolving Funds that finance wastewater improvement on the assumption that the funds were approaching full capitalization at an adequate level. But recent surveys of wastewater infrastructure needs undercut that assumption, and mayors, governors and construction trade unions are pressing for increased funding. This year, Congress appropriated $550 million more than you requested. Future increases could meet these wastewater needs while also providing resources to address polluted runoff and critical regional issues.

This initiative includes:

Fulfilling the Promise of the Clean Water Act – You would set a near-term goal of ending beach closures and a long-term goal of making all of America's waterways safe for fishing and swimming.

Doubling Our Investment in Clean Water – You would propose doubling funding for the state revolving funds to $3 billion a year for 10 years. Half the funding would be allocated under the current formula for wastewater system improvements. The other half would be targeted as follows:

- $500 million a year to help farming and ranching communities reduce polluted runoff;
- $500 million a year for wetlands restoration and pollution control in the Mississippi Valley to help eliminate the "dead zone" in the Gulf of Mexico.
- $500 million a year (transferred from the Hazardous Substances Trust Fund) to help states address contaminated sediments and other pollution threats in the Great Lakes.

Strengthening the Clean Water Act – You would call on Congress to strengthen and reauthorize the Clean Water Act to meet a new generation of clean water challenges.

Cost: $15 billion over 10 years.

BUILDING MORE LIVABLE COMMUNITIES

Action: You would announce major new elements in the Administration's Livable Communities initiative, including: 1) doubling the Administration's current proposal for state and local tax credits for open space, brownfields, and water quality, known as Better America Bonds; (2) making billions of dollars in transportation money more readily available for projects that reduce both congestion and pollution; and 3) revitalizing urban areas by providing greater assistance through HUD for brownfields redevelopment.

Background: Last year, the Administration launched a new initiative to help communities preserve open space, reduce traffic congestion, fight sprawl and take other steps to enhance livability and sustain prosperity. Our initiative has drawn considerable support at the state and local levels, and in last month's election voters across the country approved another round of "smart growth" ballot initiatives.

New efforts proposed for this year's budget include:

Better America Bonds – You would propose $1.4 billion over five years for Better America Bonds, twice the level proposed last year. This funding would support federal tax credits enabling state, local and tribal governments to issue bonds to preserve open space, clean up brownfields, and improve water quality. The funding proposed last year would have allowed $9.5 billion in bond authority over five years.

Expanding Transportation Choices – You would propose allowing communities greater flexibility in the use of federal transportation funds so more can be steered to mass transit and alternative transportation. The transportation trust fund will generate $3 billion more in FY 2001 than was projected when TEA-21 was enacted.

Next Generation of Brownfields Redevelopment – You would propose two new steps to encourage cleanup and redevelopment of vacant, abandoned, or underutilized urban properties: changes to the tax code to allow the currently underutilized brownfields tax credit to be applied to cleanup costs associated with asbestos and lead, which are not now eligible; and changes to HUD's $5 billion-a-year Community Development Block Grant program to make it easier to use grants to finance brownfields cleanup and redevelopment.

Cost: $1.4 billion over five years for Better America Bonds.

THE WHITE HOUSE

WASHINGTON

January 7, 2000

MEMORANDUM TO JOHN PODESTA
MARIA ECHAVESTE
DOUG SOSNIK
LORETTA UCELLI
STEPHANIE STREETT

CC: GENE SPERLING
BRUCE REED
NEAL LANE

FROM: GEORGE FRAMPTON
ROGER BALLENTINE

RE: Proposed Climate Change Rollout

While there are only a couple of remaining open message opportunities between now and the State of the Union, we believe one should be devoted to climate change. Not only is this a legacy issue for the President on which he's been focused for several years, it has been the subject of a significant increase in public attention recently due to record warm weather and unusual storm activity.

In addition to record levels for the Climate Change Technology Initiative and new funding for the President's Bio Energy Initiative, our budget includes more than $100 million for the "Clean Energy for the 21st Century Initiative". This money, spread among DOE, Commerce, USAID, ExIm, OPIC and TDA, represents a tangible commitment to the President's oft-stated world view that developing countries can grow and industrialize their economies in a way that was not available to us: *cleanly*. To a significant extent, this "win-win" proposition can be achieved with the help of (and to the benefit of) U.S. clean energy technologies and services.

Such an event could also include the following announcements:

- Our new $ 50 million International Forest Protection Initiative, about which the President was very enthusiastic in his meeting with environmentalists in Seattle at the WTO. Saving forests is a major component of combating global warming.

- A major proposal for the President to unveil in which is an initiative to make old grandfathered coal-burning power plants live up to modern Clean Air standards. This proposal is the biggest single domestic step we can take in 2000 to combat carbon emissions, and if advanced this event would get front-page attention across the country on its own as an air pollution/children's health measure.

A rollout event focusing primarily on climate could, for example, include touring a 500-worker solar technology company plant in Maryland (visuals with large solar panels/products) that exports 2/3rds of its products through the Port of Baltimore to the developing world, thus creating jobs and protecting the environment.

Let us know if there is additional information that we can provide.

Janet Anderson
01/11/2000 05:32:04 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

cc: David Gardiner/CEQ/EOP@EOP, Angela C. Mizeur/WHO/EOP@EOP

Subject: power

TXAQrev.doc

Roger,

Attached is a short version overview of the TX law and I will answer several other questions here.

- 2. The proposal under consideration would be much more far-reaching the the TX plan. The reductions for SO2 would be in the range of 30-50%; NOx: 75% or more. TX is silent on Hg and CO2 and allows for ratepayer financing of reductions.
- 4. Clean (read that natural gas-based) utilities would likely be in favor because the cost penalty between their product and that from coal-based utilities would be substantially lessened or eliminated.
- 5. EEI will hate this (if CO2 is included).
- 6. I haven't discussed this proposal with other industries, but any that are large electric consumers (aluminum and the electric-arc furnace sector (45%) of the steel industry) would be strongly opposed because of increased costs. It is likely that all energy intensive industries would oppose this because they see it coming to them.

Leslie

David Gardiner
01/12/2000 09:08:55 AM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP

cc: Janet Anderson/WHCCTF/EOP@EOP
Subject: power

In general, power plants are responsible for 30% of NOx emissions, 60-70% of SO2 emissions, 30% of mercury emissions, and 40% of carbon emissions (this last figure includes independent power producers, which EIA estimates do not). EPA will get us more precise figures.

I also agree with Janet's assessment of where the utility industry will be. EPA estimates that 30-40% of the utility industry is already clean and therefore likely to be favorable to a proposal. I would also urge that we encourage EEI to take a position on our proposal that is similar to their position on the Kyoto Protocol, i.e. we oppose it because of its targets and timetables, and favor the way in which it is done (trading and NSR).

David,

Here is a quick summary of the health effects of Sox, Nox and Mercury. I spoke to Bob, and he had no numbers, but he was confident that we could expect about a 4 to 1 ratio of benefits to costs (for comparison, benefits of Tier 2 are about $25 billion).

Bill

Sulfur Dioxide

Nature and Sources of the Pollutant:
Sulfur dioxide belongs to the family of sulfur oxide gases. These gases are formed when fuel containing sulfur (mainly, coal and oil) is burned and during metal smelting and other industrial processes. Most SO2 monitoring stations are located in urban areas. The highest monitored concentrations of SO2 are recorded in the vicinity of large industrial facilities.

Health and Environmental Effects:
High concentrations of SO2 can result in temporary breathing impairment for asthmatic children and adults who are active outdoors. Short-term exposures of asthmatic individuals to elevated SO2 levels while at moderate exertion may result in reduced lung function that may be accompanied by such symptoms as wheezing, chest tightness, or shortness of breath. Other effects that have been associated with longer-term exposures to high concentrations of SO2, in conjunction with high levels of PM, include respiratory illness, alterations in the lungs' defenses, and aggravation of existing cardiovascular disease. The subgroups of the population that may be affected under these conditions include individuals with cardiovascular disease or chronic lung disease, as well as children and the elderly.

Together, SO2 and NOx are the major precursors to acidic deposition (acid rain), which is associated with the acidification of soils, lakes, and streams, accelerated corrosion of buildings and monuments, and reduced visibility. Sulfur dioxide also is a major precursor to PM-2.5, which is asignificant health concern as well as a main pollutant that impairs visibility.

Trends in SO2 Levels: Between 1988 and 1997, national SO2 concentrations decreased 39 percent and SO2 emissions decreased 12 percent. Between 1996 and 1997, national SO2 concentrations decreased 4 percent and SO2 emissions increased 3 percent. Sulfur dioxide emissions from electric utilities decreased 12 percent between 1994 and 1997. These recent reductions are due, in large part, to controls implemented under EPA's Acid Rain Program. The 3 percent increase that occurred between 1996 and 1997 is primarily due to increased demand for electricity.

NOX

Nature and Sources of the Pollutant: Nitrogen dioxide (NO2) is a reddish brown, highly reactive gas that is formed in the ambient air through the oxidation of nitric oxide (NO). Nitrogen oxides (NOx), the term used to describe the sum of NO, NO2 and other oxides of nitrogen, play a major role in the formation of ozone. The major sources of man-made NOx emissions are high-temperature combustion processes, such as those occurring in automobiles and power plants. Home heaters and gas stoves also produce substantial amounts of NO2 in indoor settings.

Health and Environmental Effects: Short-term exposures (e.g., less than 3 hours) to current nitrogen dioxide (NO2) concentrations may lead to changes in airway responsiveness and lung function in individuals with pre-existing respiratory illnesses and increases in respiratory illnesses in children (5-12 years old). Long-term exposures to NO2 may lead to increased susceptibility to respiratory infection and may cause alterations in the lung. Atmospheric transformation of NOx can lead to the formation of ozone and nitrogen-bearing particles (most notably in some western urban areas) which are both associated with adverse health effects.

Nitrogen oxides also contribute to the formation of acid rain. Nitrogen oxides contribute to a wide range of environmental effects, including potential changes in the composition and competition of some species of vegetation in wetland and terrestrial systems, visibility impairment, acidification of freshwater bodies, eutrophication (i.e., explosive algae growth leading to a depletion of oxygen in the water) of estuarine and coastal waters (e.g., Chesapeake Bay), and increases in levels of toxins harmful to fish and other aquatic life.

Trends in NO2 Levels: Over the past ten years, ambient NO2 concentrations decreased 14 percent. Between 1996 and 1997, national average annual mean NO2 concentrations remain unchanged. In the last 10 years, NOx emissions levels have remained relatively constant. Between 1988 and 1997, NOx emissions declined 1 percent, while they increased slightly (by 1 percent) between 1996 and 1997. However, over the longer term since 1970, total NOx emissions have increased 11 percent and NOx emissions from coal-fired power plants have increased 44 percent.

Mercury

Mercury exists in three forms: elemental mercury, inorganic mercury compounds (primarily mercuric chloride), and organic mercury (primarily methyl mercury). All forms of mercury are quite toxic, and each form exhibits different health effects. Acute (short-term) exposure to high levels of elemental mercury and methyl mercury in humans results in central nervous system (CNS) effects such as hallucinations and delirium (elemental mercury) and blindness, deafness, and impaired level of consciousness (methyl mercury). Effects on the gastrointestinal tract and respiratory system have also been noted in humans from acute inhalation exposure to elemental mercury.

Chronic (long-term) exposure to elemental mercury and methyl mercury in humans also affects the central nervous system. Effects such as erethism (increased excitability), irritability, excessive shyness, and a tremor have been noted from elemental mercury exposure, and symptoms such as paresthesia (a sensation of pricking on the skin), blurred vision, malaise, speech difficulties, and constriction of the visual field from methyl mercury exposure. The major effect from chronic exposure to inorganic mercury is kidney damage.

The Reference Concentration (RfC) for elemental mercury is 0.0003 mg/m3. The U.S. Environmental Protection Agency (EPA) estimates that inhalation of this concentration or less, over a lifetime, would not likely result in the occurrence of chronic noncancer effects.

The Reference Dose (RfD) for methyl mercury is 0.0003 mg/kg/d.c EPA estimates that consumption of this dose or less, over a lifetime, would not likely result in the occurrence of chronic noncancer effects.

Methyl mercury exposure, via the oral route, exhibits significant developmental effects. Infants born to women who ingested high levels of methyl mercury exhibited mental retardation, ataxia, constriction of the visual field, blindness, and cerebral palsy. Human studies are inconclusive regarding elemental mercury and cancer, and no human studies are available on the carcinogenic effects of methyl mercury. EPA has classified inorganic mercury and methyl mercury as Group C, possible human carcinogens, and elemental mercury as Group D, not classifiable as to human carcinogenicity.

Janet Anderson
01/12/2000 10:57:08 AM

Record Type: Record

To: David Gardiner/CEQ/EOP@EOP, Roger S. Ballentine/WHO/EOP@EOP

cc: Angela C. Mizeur/WHO/EOP@EOP, Shelley N. Fidler/WHCCTF/EOP@EOP
Subject: Re: power

I have to respond to David's e-mail on the power sector with a couple of clarifications.

- First, while 30-40% of electricity in the US comes from "clean sources" (includes nukey, hydro, renewables, msw, natural gas, landfill gas), this does NOT translate to that level of support within the utility industry. Most of those sources are owned by entities that also own coal for the bulk of their generation. In 1998, just under 10% of electricity was generated by natural gas; this is a more likely guess for support as many of these units are owned by IPPs without significant holdings in coal-based generation.
- Second, in 1998, 37% of CO2 emissions were from the electric power sector (includes IPPs, but not co-generators). The business as ususal case projects this to rise to 38% in 2010. (source is EIA annual energy outlook:2000)
- Third, EEI has spoken in favor of the flexibility provisions in the Kyoto Protocol, however the proposal under consideration does not have these flexibility provisions.

UPDATED BACKGROUND INFORMATION ON POWER PLANTS

March 15, 2000

Power Plants – Primer Review

Emissions of concern: sulfur dioxide (SO_2) nitrogen oxides (NO_x) carbon dioxide (CO_2) mercury (Hg). The 1990 Clean Air Act amendments capped annual SO_2 emissions at 8.95 million tons beginning in 2000; current emissions are approx. 13 million tons per year because of early reductions that were banked (emissions expected to be ~10 million tons in 2005 with the bank exhausted ~2010). NO_x emissions this year will be approx. 16% lower than 1999 because of reductions required by the same amendments (23% below 1990 level). Current CO_2 emissions from electricity are ~16% higher than 1990 levels and are forecast to be ~40% above that in 2010. Electricity generation has increased ~9% since 1990 and is forecast to increase~32% above that by 2010.

Major new air rules affecting utilities will be enacted over the next ten years. Further reductions in NO_x have already been required for the ozone transport area (NO_x SIP call - currently in court); additional reductions in SO_2 and NO_x will be required to meet the new standards for ozone and fine particulate (currently in court). EPA will decide by the end of this year whether to regulate Hg; if yes, reductions would be required within 8-9 years. These uncertainties, combined with many companies' belief that they will (at some point) operate in a CO_2-constrained future and the transition of the industry to retail competition, create a difficult environment for investment decisions.

Recent Hill/Political News

Chairman Smith has stated publicly that he wants to look at power plant emissions in the Environment Committee this year. In private discussions with his staff, we have learned that they are considering a multi-pollutant cap – likely including carbon – as their proposal. This approach is similar to ours, but would likely feature more lenient limits and time frames.

The Republicans may be going on the offensive on this issue in the Presidential campaign. A Bush-supporting group "Republicans for Clean Air" has already run several million dollars worth of ads praising Bush's clean air record and criticizing McCain for his votes against things like renewable energy R&D. The financier of the ads, Texas billionaire Sam Wyly (whom McCain has charged coordinated with the Bush Campaign on the ads) stated that unlike Bush, Gore has not done anything to improve utility emissions, and that his group will "address" that issue in the general election. *(Washington Post, 3/4/00).*

Enforcement

The EPA and DOJ are engaged in a major enforcement action with the electric utility sector on violations of the new source review (NSR) rules in the Clean Air Act. NSR exists to ensure that when industrial equipment is modernized or modified, emission control systems must be upgraded to the current standards. Notices of Violation were issued against 8 companies in November 1999 and additional investigations continue. Three weeks ago, Tampa Electric became the first company to settle with EPA/DOJ. The company's agreement is to clean up its two coal-fired power plants, fund a $2 million study on air pollution effects on Tampa Bay, and pay a $3.5 million civil penalty. One of the plants will be converted to natural gas (a project long-planned with Enron building a new pipeline) and the remaining coal plant will increase its SO_2 scrubber removal efficiency to 95% and install more sophisticated NO_x removal technology. An important part of this settlement is that it will reduce CO_2 emissions by more than 25% (because of the switch to natural gas). The remaining companies, (American Elec. Power, Cinergy, FirstEnergy, Illinova, Southern, So. Indiana Elec. & Gas, and TVA) have not been able to advance negotiations with EPA/DOJ

Utility Emissions Control bills – 106th Congress

Moynihan/Boehlert/Sweeney (S.172 / HR.25/657)
SO_2: 50% reduction from current cap (2005); NO_x: 57% reduction from 2000 levels (2005); CO_2 and Hg: NA.

Jeffords (S.1369)
SO_2: 60% reduction from current cap (2005); NO_x: 68% reduction from 2000 levels (2005); CO_2: 1990 levels (2005); Hg: 90% reduction (2005).

Pallone (HR.2569)
SO_2: 55% reduction from current cap (2004); NO_x: 68% reduction from 20000 levels (2005); CO_2: 1990 levels (2005); Hg: 50% reduction by 2005, 90% by 2010.

Kucinich (HR.2645)
SO_2: 60% reduction from current cap (2005); NO_x: 68% reduction from 2000 levels (2005); CO_2: 10% below 1990 levels (2005), 25% below 1990 levels (2010); Hg: elimination (2010).

Waxman (HR.2900)
SO_2: 65% reduction from current cap (2005); NO_x: 73% reduction from 2000 levels (2005); CO_2: 1990 levels (2005); Hg: 90% reduction (2005).

Allen (HR.2980)

SO_2: 68% reduction from current cap (2005); NO_X: 73% reduction from 2000 levels (2005); CO_2: 1990 levels (2005); Hg: 70% reduction (2005).

Leahy (S.1949)

SO_2: 68% reduction from current cap (10 yrs); NO_X: 73% reduction from 2000 levels (10 yrs); CO_2: 30 to 48% below 1990 levels (10 yrs); Hg: 90% reduction (10 yrs).

RSB

Cc: Frampton
Tramontano

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November 12, 1999

Roger Ballentine, Esq.
Deputy Assistant to the President for Environmental Initiatives
115 Old Executive Office Building
Washington, D.C. 20250

Dear Roger:

I am writing to call to your attention a serious concern arising in the wake of the Environmental Protection Agency's recent New Source Review enforcement action.

It appears that many of the efficiency-related actions voluntarily taken by utilities and others under the Climate Challenge program may fall within the category of actions EPA now considers subject to New Source Review. In other words, actions taken in good faith by companies and individuals to promote one important Administration program may well subject those companies and individuals to litigation by EPA and the Department of Justice.

One hopes that no one in a position of responsibility intended that the § 1605(b) registry would become a *de facto* roster of potential Clean Air Act defendants. That is, however, where we find ourselves today.

I would like the opportunity to discuss this matter with you.

Sincerely,

Thomas C. Jensen

cc: Hon. George T. Frampton