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Folder Title:
Climate Change [1]

Stack:	Row:	Section:	Shelf:	Position:
S	21	1	11	2

C:\work\98testimony\list

Janet Yellen Testimony

7-15-97	Subcommittee on Energy & Power, Committee on Commerce House of Representatives (Chrmn: Schaefer)
7-17-97	Committee on Environment & Public Works Senate (Chrmn: Chafee)
3-4-98	Subcommittee on Energy & Power, Committee on Commerce House of Representatives (Chrmn: Schaefer) c:\work\98testimony\march4.hse
3-5-98	Committee on Agriculture, Nutrition and Forestry Senate (Lugar) c:\work\98testimony\march5.sen
5-13-98	Committee on International Relations House of Representatives (Chrmn: Gilman) (transcript rec'd 5-29-98)
5-19-98	Subcommittee on National Economic Growth, National Resources and Regulatory Affairs Committee on Government Reform & Oversight House of Representatives (Chrmn: McIntosh)
6-4-98	Committee on Small Business House of Representatives (Chrmn: Talent)
6-11-98	Finance Committee re trade U.S. Senate (Chrmn: Roth)
6-16-98	Committee on the Judiciary re mergers U.S. Senate (Chairman Hatch)
10-6-98	Subcommittee on Energy & Power, Committee on Commerce House of Representatives (Chrmn: Schaefer) 9:30am, Rm 2123 Rayburn
3-25-99	Committee on Energy U.S. Senate (Chairman Murkowski)
4-29-99	Committee on Small Business House of Representatives (Chairman Talent)

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Janet Yellen Testimony

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House of Representatives (Chrmn: Schaefer)
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National Resources and Regulatory Affairs
Committee on Government Reform & Oversight
House of Representatives (Chrmn: McIntosh)

6-4-98 Committee on Small Business
House of Representatives (Chrmn: Talent)

6-11-98 Finance Committee re trade
U.S. Senate (Chrmn: Roth)

6-16-98 Committee on the Judiciary re mergers
U.S. Senate (Chairman Hatch)

10-6-98 Subcommittee on Energy & Power, Committee on Commerce
House of Representatives (Chrmn: Schaefer)
9:30am, Rm 2123 Rayburn

3-25-99 Comm on Energy + Nat'l Resources
US Senate Murkowski

4-29-99 Small Bus Comm
House Talent

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Janet Yellen Testimony

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7-17-97	Committee on Environment & Public Works Senate (Chrmn: Chafee)
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3-5-98	Committee on Agriculture, Nutrition and Forestry Senate (Lugar) c:\work\98testimony\march5.sen
5-13-98	Committee on International Relations House of Representatives (Chrmn: Gilman) 10:00am, Rm 2172 Rayburn (transcript rec'd 5-29-98)
5-19-98	Subcommittee on National Economic Growth, National Resources and Regulatory Affairs Committee on Government Reform & Oversight House of Representatives (Chrmn: McIntosh) 10:00am, Room 2154 Rayburn
6-4-98	Committee on Small Business House of Representatives (Chrmn: Talent) 10:00am, Room 2360 Rayburn
6-11-98	Finance Committee U.S. Senate (Chrmn: Roth) Trade 10:00 am
6-16-98	Committee on the Judiciary U.S. Senate (Chairman Hatch) Mergers 10:00 am, Room 226 Dirksen

Janet Yellen Testimony

7-15-97 Subcommittee on Energy & Power
Committee on Commerce
House of Representatives (Chrmn: Schaefer)

7-17-97 Committee on Environment & Public Works
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Senate (Lugar)
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5-13-98 Committee on International Relations
House of Representatives (Chrmn: Gilman)
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National Resources and Regulatory Affairs
Committee on Government Reform & Oversight
House of Representatives (Chrmn: McIntosh)
10:00am, Room 2154 Rayburn

6-4-98 Committee on Small Business
House of Representatives (Chrmn: Talent)
10:00am, Room 2360 Rayburn

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

June 17, 1998

Dear Ms. Dobriansky:

Enclosed please find documents related to the Council of Economic Advisers' (CEA) economic analysis of various global climate change policies.

As you know, in an effort to respond to Chairman McIntosh's March 13 letter, the CEA is carefully reviewing all climate change materials to determine whether they are responsive to Chairman McIntosh's lengthy inquiry. Because this process is taking a substantial about of time and staff resources, we have enclosed a range of materials that have been used in our assessment of the impact of efforts to control greenhouse gas emissions. We have not determined whether all of these documents are specifically responsive to your request, although we believe that many of them are indeed responsive. In any event, we hope these materials will be useful in your oversight efforts.

We are continuing the review of CEA's climate change materials and will get additional documents to you as soon as possible in the context of our other obligations and staffing constraints.

Sincerely,

Michele Jolin

Michele Jolin

Ms. Larisa Dobriansky
Senior Counsel
Subcommittee on National Economic Growth,
Natural Resources and Regulatory Affairs
Committee on Government Reform and Oversight
U.S. House of Representatives
Room 2157, Rayburn House Office Building
Washington, D.C. 20515-6143

Enclosures

Yarn box

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

June 18, 1998

TO: Philip Schiliro

FROM: Michele Jolin
Chief of Staff
(395-5084)

Enclosed is a duplicate set of materials sent to Larisa Dobriansky, of the Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs.

Enclosures

3/4 memo to the President from Raines re message to Congress on Federal Resources for climate change programs

3/5 White House Staffing Memorandum circulating memo to President from Raines re message to Congress on Federal resources for climate change programs to WH Staff for comments

****

5/23/97	From Albright to Vice President
6/1/97	Talking Points
6/2/97	From Burns to Interagency Working Group On Climate Change
6/6/97	Predecisional Draft
6/8/97	Predecional Draft
6/8/97	From Gotbaum & Thornhill to Sandalow
6/8/97	From Gotbaum & Thornhill to Sandalow
6/9/97	From Munnell & Frankel to Sandalow
6/10/97	Predecisional Draft w/CEA comments attached
6/17/97	Climate Change Rooll-Out
6/16/97	WH Staff ing Memorandum distributed for comment
6/17/97	WH Staffing Memorandum distributed for comment
6/18/97	From Stern to President
6/23/97	Address By President to UN Session on Environment and Development
7/25/97	Weekly Economic Briefing Article

7/28/97	Would Stabilizing U. S. Carbon Emissions Feel Like Another 1970's Oil Shock?
7/28/97	Would Stabilizing U. S. Carbon Emissions Feel Like Another l970's Oil Shock?
8/97	Deviation from BAU for Concentration, Doubling Date, and Temperature Level
8/4/97	Targets and timetables
8/4/97	Targets and timetables
8/4/97	Targets and timetables
8/6/97	Global climate change
8/7/97	Items to bring up in principals/principles Meeting with Treasury
8/7/97	Items to bring up in principals/principles Meeting with Treasury
8/7/97	Items to bring up in principals/principles Meeting with Treasury
8/9/97	Work-Program
8/10/97	Climate Change Substance Process
8/10/97	Draft Proposal for Blueprint for Strategy On GCC
8/11/97	CEA Work-Program on GCC
8/11/97	CEA Work-Program on GCC
8/11/97	Draft of a Proposal for Blueprint for Strategy On GCC
8/15/97	Climate and Economic Variables under Alternative Emissions Paths
8/15/97	Climate and Economic Variables under Alternate Emissions Paths

8/15/97	Ssources and Explanations
8/18/97	CEA Work-Program on GCC
8/20/97	Draft Proposal for Blueprint for Strategy On GCC
8/20/97	CEA Work-Program on GCC
8/20/97	Predecisional draft
8/20/97	Predicisional draft
8/20/97	Predecisional draft
8/20/97 (Rev)	Predecisional draft
8/21/97	Climate and Economic Variables under Alternative Emissions Paths
8/21-22/97	e-mail from Lutter to Obermiller, Frankel, And frankel to Shogren
8/21/97	Joint Tr easury/CEA Climate Change Agenda
8/21/97	From Aldy to Frankel
8/22/97	From Santesteban to Frankel
8/22/97	From: to Climate Change Oversight Group
8/22/97	From: to Climate Change Oversight Group
8/23/97	Predecisional draft.
8/23/97	Predecisional draft
8/25/97	From: to Climate Change Oversight Group
8/26/97	Predecisional draft
8/26/97	Predecisional draft

8/27/97 From Aldy to Frankel

8/27/97 From Aldy to Frankel

8/28/97 From Richels to Frankel

8/29/97 Predecisional draft

8/29/97 Predecisional draft
(Rev 9.12/97)

8/29/97 Predecisional draft
(Rev. 9/16/97)

8/29/97 Predecisional draft
(Rev. 9/16/97)

8/29/97 Predecisional draft
(Rev. 9/16/97)

8/29/97 Predicisional draft

8/29/97 Predecisional draft

8/29/97 Predecisional draft

8/29/97 Predecisional draft
(Rev. 9/16/97

8/29/97 Predecisional draft

8/29/97 Predecisional draft
(Rev. 9/11/97)

8/29/97 Predecisional draft
(Rev. 9/16/97)

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8/29/97 Predecisional draft
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(Rev.9/16/97)

8/29/97 (Rev. 9/16/97)	Predecisional draft
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8/29/97 (Rev. 9/16/97	Predecisional draft
8/29/97	Predecisional draft
8/29/97 (Rev. 9/16/97)	Predecisional draft
8/29/97	Predecsisional draft
8/29/97	Predecisional draft
8/29/97	Joint Treasury/CEA Climate Change Agenda
8/29/97	Joint Treasury/CEA Climate Change Agenda
8/29/97	Joint Treasury/CEA Climate Change Agenda
8/29/97	Joint Treasury/CEA Climate Change Agenda
9/1/97	CEA Work-Program on GCC
9/1/97	CEA Work-Program on GCC
9/1/97	CEA Work-Program on GCC
9/1/97	CEA Work-Program on GCC
9/2 &4/97	e-mail from Aldy to Frankel

	And Frankel to Aldy
9/3/97	e-mail from Fuglie to Frankel
9/4/97	e-mail from Aldy to Frankel
9/4/97	e-mail from Aldy to Frankel
9/5/97	e-mail from Aldy to Frankel
9/5/97	e-mail from Wilcox to Frankel
9/6/97	Revised Scenarios
9/9/97	Draft-Memorandum for: From:
9/10/97	e-mail from Aldy to Yellen
9/10/97	Sources and Explanations
9/10/97	Sources and Explanations
9/10/97	Temperature Paths
9/14/97	From Sperling, McGinty, Tarullo To President
9/15/97	GCC Potus & enviros
9/15/97	From Sperling, McGinty, Tarullo To President
9/15/97	From Sperling, McGinty, Tarullo To President
9/15/97	From Sperling, McGinty , Tarullo To President
9/15/97	From Sperling, McGinty, Tarullo To President
9/15/97	Targets and Timetables
9/15/97	From Sperling, McGinty, Tarullo to

	President
9/16/97	Economic Team Modications to Option 2
9/17/97	e-mail from Frankel to Yellen
9/20/97	Targets and Timetables
9/20/97	Targets and Timetables
9/20/97	Targets and Timetables
9/20/97	Targets and Timetables
9/22/97	Draft #1 From: For the President
9/22/97	Draft #1 From: For the President
9/23/97	e-mail from Orszag to Frankel, Wilcox & Gruber
9/25/97	Plan
9/25/97	Plan
9/25/97	Memorandum
9/25/97	From Frankel to Yellen, Morris, Lutter, Aldy, Candelario & Chang
9/26/97	e-mail from Candelario to Frankel
9/26/97	Plan
9/26/97	Draft #2 FROM: to President
9/26/97	Draft #5 From Sperling, Tarullo, McGinty To President

9/27/97	Escape Clause: International Aspects
9/27/97	Memorandum from Summers , Yellen
9/27/97	Memorandum from Summers, Yellen
9/28/97	From Sperling, Tarullo, McGinty to President
9/28/97	From Sperling, Tarullo, McGinty to President
9/28/97	From Sperling, Tarullo, McGinty to To President
9/28/97	From Sperling, Tarullo, McGinty to President
9/30/97	Memorandum
9/30/97	From Fischer to Frankel
9/30/97	From Fischer to Jolin
9/30/97	Global Change: Which Way Forward?
9/30/97	Remarks to Weather Forecasters
9/30/97	Memorandum from Summers, Yellen
9/30/97	Memorandum from Summers, Yellen
9/30/97	Memorandum from Yellen
9/30/97	Memorandum
9/30/97	Memorandum
9/30/97	Memorandum
9/30/97	Memorandum

9/30/97	Memorandum
9/30/97	Memorandum
10/1/97	The Economics of Reducing Emissions
10/1/97	The Economics of Reducing Emissions
10/1/97	Fax to David Wilcox
10/1/97	Package 2.3
10/1/97	POTUS
10/1/97	From Sperling, Tarullo, McGinty to President
10/1/97	The Economics of Reducing Emissions
10/1/97	The Economics of Reducing Emissions
10/1/97	From Gruber and Frankel
10/2/97	Potus
10/2/97	From Minarik to Glauthier & Frankel
10/2/97	Global Climate Change: Which Way Forward?
10/2/97	From Minarik to Glauthier & Frankel
10/2/97	e-mail from Frankel to Yelllen and from Minarik to Frankel
10/2/97	From Treasury to Yellen & Frankel
10/2/97	From Treasury to Yellen & Frankel
10/3/97	From Gruber to Yellen

10/3/97	Global Climate Change: Which Way Forward?
10/3/97	From Gruber to Yellen
10/3/97	From Gruber to Yellen
10/3/97	From Summers & Yellen to President
10/3/97	From Summers & Yellen to President
10/3/97	From Yellen & Summers to President
10/3/97	From Summers & Yellen to President
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10/3/97	From Yellen & Summers to President
10/3/97	From Yellen & Summers to President
10/3/97	From Gruber to Yellen
10/6/97	WH Staffing Memo distributed for Comments
10/6/97	WH Staffing Memo distributed for Comments
10/6/97	WH Staffing Memo distributed for Comments
10/8/97	From Aldy & Lutter to Yellen
10/18/97	From Sperling,McGinty, Tarullo, Steinberg, & Stern to President
10/18/97	From Sperling, McGinty, Tarullo, Steinberg & Stern to President
10/22/97	Remarks to National Geographic Society

By President

11/2/97 Predecisional Draft

11/3/97 GCC

11/30/97 From Sperling, McGinty, Tarullo, Steinberg,
Stern to President

1998

1/30/98 WH Staffing Memorandum distributed
For comments

1/30/98 From Frankel to Yellen, Jolin, Aldy, Lutter
& Morris

3/4/98 From Raines to President

Undated Subject

Targets and Timetables

Coal Subsidies for the WEB

From Sperling, McGinty, Tarullo, Steinberg
& Stern to President

Big Decision to be made

A few things to consider when thinking about
About Climate Policy

Discussion Paper

Alternatie scenarios for modelers

Moderate Path for T & T

CEA Proposal

Package 3

Climate and Economic Variables under Alernative
Emissions Paths

Graphs

Comparison of a Carbon Tax with the Administration's
1993 Btu tax proposal

Comparison of a Carbon Tax with the Administration's
1993 Btu tax proposal

Table 4

Carbon Price Increases vs. Btu Taxes

What if there is no international trading?

Issue for Decision

Global Climate Change

Issue for Decision

Issue for Decision

Discussion Paper

Scenario 1

Table 4

Discussion Paper

Table 4

Table 4

Different Approaches to a Safety Valve

Abstract

Predecisional draft

Predecisional draft

Targets and Timetables

Predecisional draft

Talking Points on Climate Change

Talking Points on Climate Change

Global Climate Change: Which Way Forward?

Global Climate Change: Which Way Forward?

Global Climate Change: Which Way Forward?

5 Principles for climate change policies

Scenario 1

Scenario 1

Scenario 1: Status Quo/Potential Domestic Train Wreck

Scenario 1: Status Quo/Potential Domestic Train Wreck

Scenario 1: Possible Agreement in Kyoto

Scenario 1

Scenario 1

Scenario 3

Comments on $500 million/year Technology Proposal

Targets and timetables

Comments on $500 million/year Technology Proposal

Carbon Price Increases vs. Btu Taxes

Would Stabilizing U. S. Carbon Emission
Feel Like Another 1970's Oil Shock?

Carbon Price Increases vs. Btu Taxes

Carbon Price Increases vs. Btu Taxes

Comments on pages 9, 10

Would Stabilizing U. S. Carbon Emissions Feel
Like Aother 1970's oil Shock?

Would Stabilizing U. S. Carbon Emissions Feel Like
Another 1970's Oil Shock?

Carbon Price Increases vs. Btu Taxes

Comparative Costs of Slow versus Fast Take-off

Talking Points - Domestic Implentation Mechanisms

Talking Points on Climate Change

Talking Points

Talking Points on Climate Change Scenarios

Talking Points on Climate Change Scenarios

Talking Points on Climate Change Scenarios

Would Stabilizing U. S. Carbon Emissions
Like Another 1970's Oil Shock

State of the Union excerpt on GCC

Package 3

Global Climate Change; Which Way Forward

Possible Common Components of All Three Plans

Recommendation

Appendix A

A few things to consider when thinking about climate policy

Talking Points on Climate Change Scenarios

Talking Points on Climate Change

Package 3

Package 3

Possible Common Components of All Three Plans

Package 3

Would Stabilizing U. S. Carbon Emissions Feel
Like Another 1970's Oil Shock?

Estimate of least-cost paths to stabilize concentration levels

Figure 2a: and Figure 2b:

Figure 2. Least-Cost (L-C) Mitigation Path

Graph Energy Cons and CO2 Emis Chart 1

Figure 2a: and Figure 2b:

E/GDP & Relative Energy Price

ChartData

II.1990 by 2010. The Scope of the Task

Comments on $500 million/year Technology Proposal

Comments on $500 million/year Technology Proposal

What if the developing countries do not agree to go along?

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

September 14, 1998

MEMORANDUM FOR TODD STERN
ROB WEINER
ROGER BALLENTINE
JULIE ANDERSON

FROM: MICHELE JOLIN MJolin

SUBJECT: Documents

I think we need to discuss the attached.

U.S. House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515–6115

September 11, 1998

The Honorable Janet Yellen
Chair
Council of Economic Advisors
Old Executive Office Building
Washington, D.C. 20502

Dear Dr. Yellen:

We are writing to inform you of the decision to include in the March 4, 1998 printed hearing record the economic analysis you recently provided to the Committee concerning the potential costs of the Kyoto Protocol to the U.S. economy. As you know, at the March 4 hearing, Chairman Schaefer and Ranking Member Dingell requested that you provide these documents to the Committee, and Mr. Dingell requested that these documents be included in the hearing record. After reviewing the document entitled "The Kyoto Protocol and the President's Policies to Address Climate Change: Administration Economic Analysis" and considering the letter from Mr. Robert Weiner, Senior Counsel, Office of Counsel to the President regarding release of the documents, we believe that failing to include these documents in the printed hearing record would hinder the ability of the Committee to carry out its oversight responsibilities and would leave stakeholders and the public without complete information regarding the range of possible costs of implementation of the Kyoto Protocol. The potentially enormous impact of these policies to the United States economy, the Administration's less than forthcoming dealings with Congress on this matter, and the nature of the documents, underscore the need for disclosure as part of our oversight efforts, and outweigh any arguments to keep these documents hidden from public scrutiny.

You noted at the July 15, 1997 hearing, "when a decision has been arrived at, it is incumbent on us to explain how we arrived at that decision and why we regard it as a sensible decision. I feel we have to be prepared to explain that." We agree. If the Administration is going to present certain economic conclusions as justification for its policies, then it is inappropriate for the Administration to shield the assumptions used to reach those economic conclusions.

Thank you for your cooperation on this matter. We also will enter into the printed hearing record a copy of this letter. If you have any questions, please contact Ms. Catherine Van Way or Mark Paoletta of the Majority Staff at 225-2927 or Dennis Fitzgibbons or Sue Sheridan of the Minority staff at 225-3641.

Sincerely,

Tom Bliley
Chairman

John D. Dingell
Ranking Member

Dan Schaefer
Chairman
Subcommittee on Energy and Power

Ralph M. Hall
Ranking Member
Subcommittee on Energy and Power

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

Date: 9-14

Please deliver to: Julie Anderson

FAX number of addressee: X 52342

Telephone number of addressee: x52332

From: Michele Jolin
CEA Chief of Staff

FAX number of sender: (202) 395-6958

Telephone number of sender: (202) 395-5084

Number of pages, including cover sheet: 4

Message: URGENT

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

September 14, 1998

MEMORANDUM FOR TODD STERN
ROB WEINER
ROGER BALLENTINE
JULIE ANDERSON

FROM: MICHELE JOLIN

SUBJECT: Documents

I think we need to discuss the attached.

Bliley, Dingell
Schaefer, Hall

U.S. House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515–6115

September 11, 1998

The Honorable Janet Yellen
Chair
Council of Economic Advisors
Old Executive Office Building
Washington, D.C. 20502

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The Honorable Janet Yellen
Page 2

Sincerely,

Tom Bliley
Chairman

John D. Dingell
Ranking Member

Dan Schaefer
Chairman
Subcommittee on Energy and Power

Ralph M. Hall
Ranking Member
Subcommittee on Energy and Power

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

September 15, 1998

Dear Senator Hagel:

I am writing to provide information that is responsive to a question in your September 9 letter to Under Secretary of State Eizenstat regarding the economic assumptions the Administration used during the Kyoto Protocol negotiations. Because you have asked specific and technical questions about economic analysis conducted by Council of Economic Advisers (CEA) staff, the State Department forwarded your request to CEA to provide answers.

In your September 9 letter, you asked for the model or analysis used during the negotiations in Kyoto. During the Kyoto Conference, CEA staff worked with Treasury staff in providing economic analysis used by the U.S. delegation.

In conducting this analysis, CEA drew from modeling results derived from the Second Generation Model (SGM). CEA developed cost curves for Annex I countries and five developing country regions from SGM model outputs for carbon dioxide and assessed the marginal cost of compliance based on required emissions targets necessary to comply with various targets under consideration. (The approach used is comparable to the methodology used for the illustrative modeling analysis in the Administration Economic Analysis.)

Most analyses focused on the economic effects of various trading regimes. For example, we assessed the permit prices and efficiency losses associated with constraints on purchasing permits as well as with constraints on selling permits. These analyses provided results for the United States, and in most cases, results for all other Annex I countries (or regions) represented in SGM. Further, we assessed the economic implications of an umbrella trading group, with and without developing country participation through "joint implementation" (as CEA termed it during Kyoto). We considered permutations that included both trading constraints and variations of umbrella trading that provided more information on the economic effects of these proposals. Finally, there were some analyses that considered various trading arrangements with different emissions targets.

CEA staff have compiled the memoranda, tables, and modeling data produced by CEA staff for use by the U.S. delegation during the Kyoto negotiations. Given your specific interest in the economic assumptions used at the Kyoto negotiations and your important role as a member of the Senate Observor Group on climate change, we are willing to make these materials available to you or your staff. In the event that these materials reflect internal policy deliberations or ongoing international negotiations, we are willing to make appropriate accommodations for you to review the materials while protecting the Executive Branch's interest in maintaining confidentiality in the policymaking process.

If you or your staff are interested in reviewing these materials, please ask your staff to contact me at (202)395-5084.

Sincerely,

Michele Jolin

The Honorable Chuck Hagel
Chairman
Subcommittee on International Economic
Policy, Export and Trade Promotion
Committee on Foreign Relations
United States Senate
Room 450, Dirksen Senate Office Building
Washington, D.C. 20510-6225

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

Date: 9-15-98

Please deliver to: Nigel Purvis

FAX number of addressee: 647-0753

Telephone number of addressee: ____________

From: Michele Jolin
CEA Chief of Staff

FAX number of sender: (202) 395-6958

Telephone number of sender: (202) 395-5084

Number of pages, including cover sheet: 3

Message:

***************************** -JOURNAL- **************** DATE SEP-15-1998 ***** TIME 10:28 ***********

NO.	COM	PAGES	FILE	DURATION	X/R		IDENTIFICATION	DATE	TIME	DIAGNOSTIC
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-CEA

*********************************** -202 395 6958 - ***** - 202 395 6958- ***********

STATUS OF RESPONSES TO CONGRESSIONAL INQUIRIES ON CLIMATE CHANGE

In order to obtain accurate information about the status of responses to Congressional climate change inquiries and the resources expended in responding to these inquiries, please complete the following survey for your agency by COB Tuesday, September 8.

AGENCY Council of Economic Advisers

CONTACT Michele Jolin

1. From January 1, 1998 through August 31, 1998, did your agency receive climate change inquiries (written requests or subpoenas) from Congressional Committees/Subcommittees or Congressional Members or from staff on behalf of Congressional Committees/Subcommittees or Members?

YES X NO ____

2. If you answered YES to question 1, please provide the following information:

Requester	Date of Request	Number of questions	Date of Response/s
E.g.: House Government Reform Subcommittee on Natl. Economic Growth, Natural Resources & Reg. Affairs	*March 11 letter*	*14 Q's*	*April 30: Q1-7 August 14: Q8-14*
House Government Reform Subcomm. on National Economic Growth, Natural Resources and Regulatory Affairs	March 13 letter	34 Q's	May 18: Q1-7 June 16: Q8-14 Aug 24: Q15-34
" "	June 3 letter	1 Q	July 16
" "	August 10 Subpoena	Request for documents	No response yet
" "	September 3 letter	Request for documents	No response yet
House Small Business Committee	June 30 letter	8 Q's	Responses in OMB Clearance

3. For each inquiry listed in Question 2, please estimate the personnel costs (if actual costs were not tracked) incurred as of August 31, 1998, to respond.

Request	Number of Personnel	Hours	Total Cost
E.g.: March 11 Govt Reform letter	*15*	*500*	**
March 13 Gov't Reform Ltr	11	650	$28,000.00
June 3 Gov't Reform Ltr	3	20	$ 870.00
June 30 Small Business Ltr	4	35	$ 1,523.00

** One method for estimating costs is to estimate a respresentative grade level and the hourly rate for that representative grade level and multiply the hourly rate times the hours worked.

4. For each inquiry listed in Question 2, please estimate personnel costs that you anticipate incurring to complete the response to the inquiry.

Request	Number of Personnel	Hours	Total Cost
Aug 10, Gov't Reform Subpoena	6	100	$4,300.00
Sept. 3 Gov't Reform Ltr	6	100	$4,300.00

5. Please provide actual or estimated number of pages of documents produced (including documents provided to the White House) in response to each inquiry listed in question 2. In addition, please provide the actual or estimated costs of reproduction and delivery of the documents.

Request	Pages Produced	Reproduction costs	Delivery costs
E.g.: March 11 Govt Reform letter	*1500 pages*		
E.g.: March 11 Govt Reform letter	*13,000 pages*		
March 13 Gov't Reform Letter	120,000 pages	$2,500	$50.00

SENT BY:#94 ; 8-25-98 ; 15:53 ; E O P→ 202 395 6958;# 2/ 2

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

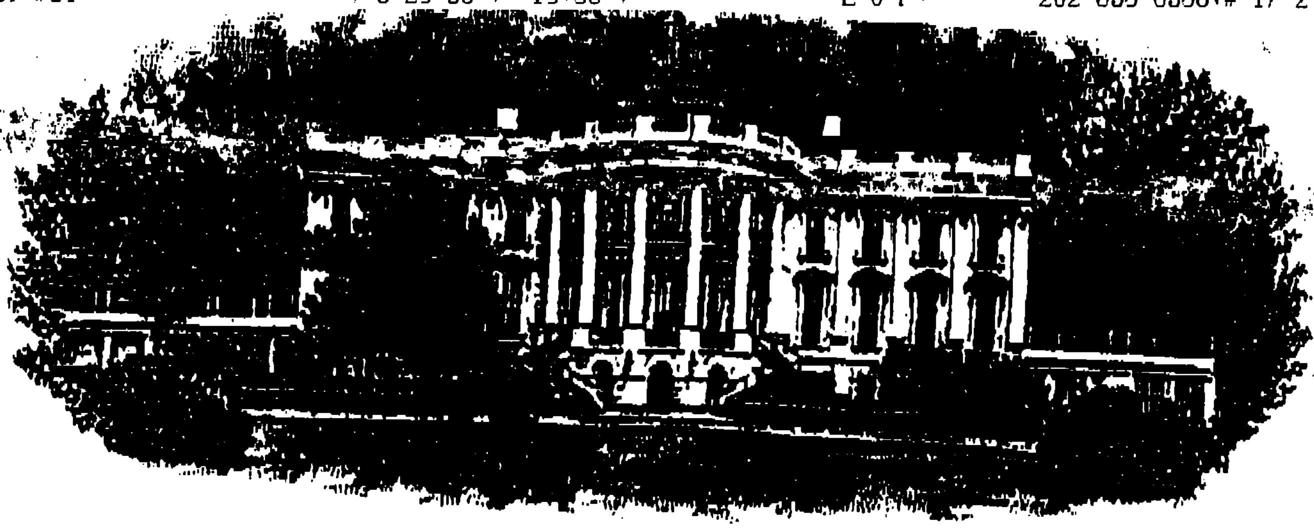
MAIL AND MESSENGER SIGN-IN SHEET

(Please Print)

Date: 24 Aug 98

Page Number: ______

YOUR NAME	YOUR ROOM NO.	YOUR PHONE NO.	ADDRESSEE: ADDRESSED TO	ADDRESSEE: AGENCY	ARRIVAL TIME	REMARKS
W. Winkler	136	66229	S. Bifler	OGE	11:48	
Sandy Daigle	314	55042	Alys Campaigne Ford HOB	Hill	to mailroom	
" "	314	55042	Keith Ausbrook Rayburn	Hill	went w/ boxes	
" "	314	55042	Larisa Dobriansky Rayburn	Hill	went to	377
" "	314	55042	6 Boxes for the Hill			
M. Sullivan	536	62988	Federal Register	3:12		
"	"	"	GPO/EPD	"		
Trudy Roddick	58	65490	Betty Currie	WW		
CLAIRE SCHWAB	15	67300	Sondra Seba	WH		



THE WHITE HOUSE

FAX TRANSMITTAL COVER SHEET

DATE: 8/25

TO: SANDY D.

FAX NO.: 395-6958

OF:

COMMENTS:

FROM: Laura

TELEPHONE: 57005

FAX NO.:

NUMBER OF PAGES (including cover page): 2

ONE HUNDRED FIFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051
TTY (202) 225-6852

September 3, 1998

BY FACSIMILE

The Honorable Janet Yellen
Chair
Council of Economic Advisers
Old Executive Office Building
Washington, D. C. 20502

Dear Chair Yellen:

This letter confirms the understanding that was reached at yesterday's meeting between your Chief of Staff and my Subcommittee staff regarding Council documents that were responsive to the subpoena that the Government Reform and Oversight Committee served CEA on August 10, 1998. In general, the subpoena called for the production of documents relating to the Administration's climate change policies, the White House Initiative on Global Climate Change, and the Kyoto Protocol by August 25, 1998.

At the meeting, your Chief of Staff agreed to provide the Subcommittee staff and Members access to all remaining documents responsive to my March 13, 1998 letter of inquiry by September 4, 1998, except those documents that were being withheld from all review due to alleged interests in the confidentiality of Presidential decision making. Ms. Jolin committed to provide a log of the documents that the Council is making available for review by Members. We also would like a description of each responsive document that the Council is not making available for any review at this time.

Your Chief of Staff also committed to make every effort to provide all other documents responsive to the subpoena as expeditiously as possible. Because of the Congressional schedule, we would like the Council to specify a date by which these documents will be made available to the Subcommittee.

To help facilitate the Council's search for responsive documents, the Subcommittee staff requested that the Council focus particularly on documents relating to the following:

- o Review or analysis, including interagency review or analysis, of the economic and environmental impacts of the Administration's climate change policies and any alternative policies considered, including interagency comments on the analysis performed by the Interagency Analytical Team and analyses and comments provided by agencies to the Administration in connection with the negotiation of the Kyoto Protocol;

- o Review or analysis, including interagency review or analysis, of regulatory policy options for reducing greenhouse gas emissions, including discussions about reductions from personal motor vehicles ("Car Talk") and electricity restructuring;

- o Review or analysis, including interagency review or analysis of, or plans or proposals to implement, "international emissions trading," "joint implementation," and the "Clean Development Mechanism," as those terms are defined and used in the Kyoto Protocol;

- o Review or analysis, including interagency review or analysis, of the White House Initiative on Global Climate Change and alternative policy options considered by the Administration, including CEA's economic analyses of the Administration's policies on electricity restructuring and basic energy research.

Please contact Subcommittee Staff Director Mildred Webber at 225-4407 if you have any questions regarding this letter. Thank you in advance for your attention to these matters.

Sincerely,

David M Intosh

David M. McIntosh
Chairman
Subcommittee on National Economic Growth,
Natural Resources, and Regulatory Affairs

cc: The Honorable Dan Burton
The Honorable John Tierney

ONE HUNDRED FIFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051
TTY (202) 225-6852

SUBCOMMITTEE ON NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS
B-377 Rayburn House Office Building
Washington, DC 20515
Phone: (202) 225-4407
Fax: (202) 225-2441

FAX TRANSMITTAL

TO: The Honorable Janet Yellen

FAX NUMBER: 395-6958

\# of PAGES: 3 (including cover page) DATE: 9/3/98

FROM:

✓ **Chairman David M. McIntosh**

___ **Mildred Webber - Staff Director**
(mildred.webber@mail.house.gov)

___ **Keith Ausbrook - Chief Counsel**
(keith.ausbrook@mail.house.gov)

___ **Karen Barnes - Professional Staff**
(karen.barnes@mail.house.gov)

___ **Sean Cunningham - Counsel**
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___ **Larisa Dobriansky - Senior Counsel**
(larisa.dobriansky@mail.house.gov)

___ **Barbara Kahlow - Professional Staff**
(barbara.kahlow@mail.house.gov)

___ **Andrew Wilder - Clerk**
(andrew.wilder@mail.house.gov)

COMMENTS:

cc: Ausbrook
Campaigne
Weiner
Ballentine
Anderson
Kountoupes

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

August 24, 1998

Dear Ms. Dobriansky:

Enclosed are responses to questions 15-34 of the March 13 letter from Chairman McIntosh to Council of Economic Advisers ("CEA") Chair Janet Yellen. Also enclosed are 6 boxes of documents related to economic analysis of climate change policies.

In addition, the Office of the Counsel to the President has determined that other CEA climate change documents include material that reflects Executive Branch policy-making deliberations. Please contact the Office of Counsel to the President to discuss the appropriate accommodation with regard to these materials.

Finally, as you know, on August 10, 1998, CEA Chair Janet Yellen was served with a subpoena to produce certain records related to climate change. This subpoena requires that the CEA provide the Committee within a 2 week period an extremely broad range of additional climate change materials that were not covered by Chairman McIntosh's March 13 letter. The August 10 subpoena will require a substantial and time consuming new search of CEA files. Moreover, given that much of the materials are likely to reflect policy deliberations, the Office of the Counsel to the President will need to review the documents to safeguard the interests of the Executive Branch in confidentiality of the policy-making process.

As you know, even though the CEA staff is extremely small, CEA is responsible for providing the President with information, analysis and advice on a range of domestic and international economic issues, including performance of the stock market, trends in the U.S. economy, Social Security reform, the Asian financial crisis and the economic troubles in Russia. We are simply unable to undertake the additional search required to respond on the timetable specified in the August 10 subpoena, while still fulfilling our statutory obligations related to the continued strength and vitality of the U.S. economy.

Please contact me at 395-5084 to discuss the nature and timing of the CEA's response to the August 10 subpoena.

Sincerely,

Michele Jolin

Michele Jolin

Ms. Larisa Dobriansky
Senior Counsel
Subcommittee on National Economic Growth,
Natural Resources and Regulatory Affairs
Committee on Government Reform and Oversight
U.S. House of Representatives
Room 2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Enclosures

cc: Keith Ausbrook
Alys Campaigne

Answers to March 13 Questions To CEA
from Representative McIntosh
Chair of the House Subcommittee
on National Economic Growth, Natural Resources, and Regulatory Affairs

C. Dr. Yellen's Testimony before the House Commerce Committee on March 4, 1998

15. *Please provide any and all analyses that support the Administration's conclusion that impacts on the U.S. economy of complying with the terms of the Kyoto Protocol are likely to be "modest".*

Response: Dr. Yellen's testimony concluded that the net costs of the Administration's policies to reduce emissions are likely to be small, assuming those reductions are undertaken in an efficient manner and the United States is successful in securing meaningful developing country participation as well as effective international trading, and the Clean Development Mechanism. The analyses supporting this conclusion are presented in "The Kyoto Protocol and the President's Policies to Address Climate Change: Administration Economic Analysis" (hereafter, the AEA). (see pp. 39-72)

15. Continued. *Also, explain fully how the Administration can make such a forecast responsibly when as Dr. Yellen stated, "it is not yet possible to provide a full authoritative analysis of the Kyoto Protocol." Among other things, Dr. Yellen noted that there is still "much that we do not know" because much has been left unresolved by this treaty (for example, implementation issues, the rules and procedures governing international emissions trading, joint implementation projects, and the Clean Development Mechanism, and future emissions reduction obligations). Moreover, Dr. Yellen asserted that to her knowledge, "no [economic] model --whether used inside the government or not --has yet been set up to analyze the implications of the Kyoto Protocol, since this agreement is only a few months old."*

Response: As mentioned in Dr. Yellen's testimony, many analyses estimating costs of the Kyoto Protocol have generally not taken into account the specific provisions of the Kyoto agreement and the Administration's policies with respect to reducing greenhouse gas emissions. In particular they have omitted the cost-savings likely to result from international permit trading, the Clean Development Mechanism, meaningful participation by key developing countries, trading across six categories of greenhouse gases, and the flexibility provided by including carbon sinks. Omitting these elements will raise the estimated cost. The Administration's conclusion, and the illustrative numerical estimates that support this conclusion, incorporate these policies and mechanisms.

16. *Please provide any and all analyses that support the following estimates:*

a. *U.S. electricity restructuring "will offer approximately $20 billion in cost savings".*

Response: The derivation of this estimate is explained in the AEA in the section entitled potential electricity restructuring cost-savings. (see Appendix C)

b. *Emissions trading among the Annex I countries "can reduce the cost to the United States of achieving its targets for 2008-2012 emissions by about half."*

Response: Please see the section on the effects of climate change policy on the United States in the AEA. (see pp. 27-32, 45, 48, 51-52)

c. *Emissions trading among a subset of Annex I countries (for example, the United States, Australia, Canada, New Zealand, and Russia) "can reduce costs by an estimated 60-70 percent."*

Response: Please see the section on the effects of climate change policy on the United States in the AEA. (see pp. 27-32, 45, 48, 51-52)

Also, based on the estimates presented in Janet Yellen's testimony, please explain and fully document how more limited trading among this subset of countries would produce greater cost reductions than from either trading among all Annex I countries or trading with the full participation of Non-Annex I countries.

Response: The market clearing price for greenhouse gas permits in an international trading system result from the supply and demand for internationally traded permits. If a country that is expected to be a net seller decided not to sell, then the actual supply falls, and the permit price and associated cost increases. If a country that is expected to be a net buyer decided not to buy, then demand falls, and the permit price and associated cost falls. In the case of trading under the Kyoto Protocol, both the United States and the European Union are projected by many economic models to be net buyers. If the European Union decides not to participate in international trading, then the demand for permits on the international market would decline, and the permit price and costs would fall, thereby benefiting countries that continue to buy permits internationally. Please also see the section on the effect of climate change policy on the United States in the AEA (see pp. 51-53).

d. *The Clean Development Mechanism "might shave costs by roughly another 20 to 25 percent".*

Response: The United States is seeking to ensure that the Clean Development Mechanism becomes a cost-effective way to allow developed country firms to give financing and technical assistance for projects to lower emissions and to receive credit for the reductions. Our best professional judgment, based on discussions with a variety of informed analysts, is that CDM could achieve at least 20 percent of the emissions reductions available under full global trading.

The statement that costs would fall by roughly another 20 to 25 percent is based on the SGM results given an assumption of 20 percent "effectiveness," and is further explained in the AEA. (see pp. 35, 48)

e. *Overall costs "would reach roughly one-tenth of one percent of projected GDP in 2010" (resource costs of achieving Kyoto targets for emissions reductions were estimated to be $7 to $12 billion per year in 2008 to 2012).*

Response: The forecasted changes in GDP were taken from the SGM model output based on certain assumptions. Please see the section on the effects of climate change policy on the United States in the attached AEA for a brief summary. (see pp. 51-53)

Also, please explain how it is possible that compliance with the Kyoto Protocol, which has been projected by independent economists to be the most expensive environmental undertaking ever, could cost less than compliance with the recently issued U.S. air quality rules for particulate matter and ozone (the final Regulatory Impact Analysis for those rules estimated costs of $46 billion).

Response: As mentioned in Dr. Yellen's testimony, many analyses estimating costs have generally not taken into account the flexibility mechanisms included in the Kyoto Protocol and the Administration's policies with respect to reducing greenhouse gas emissions. In particular they have omitted the cost-savings likely to result from international permit trading, the Clean Development Mechanism, meaningful participation by key developing countries, trading across six categories of greenhouse gases, and the flexibility provided by including carbon sinks. Omitting these flexibility mechanisms raises the cost estimates of these analyses.

f. *The assumption that the rate of improvement in energy efficiency (AEEI) will be 1.0 percent per year (which is greater than that assumed by the EIA).*

Response: Please see the section on energy efficiency improvement in the AEA for a brief summary. (see pp. 46-47)

In particular, please reconcile this assumption with the statement of the CEA in its 1998 Annual Report that "[u]ntil an emissions cap and trading system are in place, however, the economic incentive to use [technologies supported by the Administration's budget] may be low."

Response: No reconciliation is needed. The comment from the 1998 ERP implies simply that in the absence of a cap and trade system that would lower the price of using carbon-lean technologies relative to carbon-rich technologies, the incentives to adopt such carbon-lean technologies will be less than in a world with the target and trade system in place. Moreover, the AEEI represents the autonomous rate of technological improvement, i.e., the rate that would occur in the absence of price changes that the target and trade system might lead to, due merely to the greater availability of new technologies. Thus its value is a comment on the extent of one's technological optimism, and not about optimism of private parties to respond to price incentives.

Is the Administration assuming that such a system will be put into place in the short-run?

Response: The Administration's position on the timing of a target and trade system has not changed. The Administration maintains that the system should be established in the 2008-12 time-frame with the benefit of 10 years of additional experience with similar market based mechanisms.

g. *The estimated effect on energy prices will range from $14 to $23 per ton of carbon equivalent.*

Response: Please see the section of the AEA that describes the effects of climate change policy on the United States (see pp. 54-58)

h. *"In energy-intensive sectors some employment reduction could occur, although given the very small predicted change in energy prices, impacts in most such sectors are apt to be minimal. Furthermore, a large number of jobs will be created in other sectors --many of them high-tech jobs paying high wages."*

Response: According to standard economic analysis, in the long run, total employment is determined by the size of the labor force, incentives to work, and the productivity of labor. Changes in prices -- which result from developments in technology, trade, energy markets, or many other areas -- tend to have their effects on the composition of employment across sectors, more than on total employment.

As explained in Dr. Yellen's testimony and in the AEA, the energy price changes expected to result from the Kyoto protocol are likely to be modest. In particular, these price changes over the next decade are less than the average of year-to-year absolute price changes observed since 1960. Thus there is little reason to believe there will be large changes in employment even in the energy-intensive sectors. In the less energy-intensive sectors, there is no reason to expect any decline in employment at all due to climate change policies. Most economic models would not predict changes in the overall level of employment resulting from such small energy price changes 10 years in the future. (see pp. 54-62)

Furthermore, the United States has a strong competitive advantage in a variety of high-tech sectors. For example, recent innovations in battery technology, and in fuel cells were announced by U.S. companies. These innovations, and future ones expected from U.S. companies, will be in demand worldwide. The growth in associated production is likely to lead to growth in high-wage jobs in this country.

I. *As to each analysis, please indicate who prepared the analysis and provide records of comments from other federal agencies.*

Response: All of the analysis for Dr. Yellen's testimony on climate change and the AEA was prepared by current and former CEA staff under the direction of the Members of the Council, with the collaboration of staff at several other government agencies.

Documents responsive to this request reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. As to such materials, please contact the Office of the Counsel to the President.

17. *Please provide any and all analyses that support the Administration's estimate that benefits relating to traffic congestion, highway accidents, and air pollution unrelated to climate change "could offset approximately a quarter of the resource cost of the climate change policy."*

Response: This analysis is summarized in the section of the AEA describing ancillary benefits. (see pp. 66-68)

Documents responsive to this request reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. As to such materials, please contact the Office of the Counsel to the President.

As to each analysis, please indicate who prepared the analysis and provide all records of comments from other federal agencies.

Response: All of the analysis for Dr. Yellen's testimony on climate change and the AEA was prepared by current and former CEA staff under the direction of the Members of the Council, with the collaboration of staff at several other government agencies.

Documents responsive to this request reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. As to such materials, please contact the Office of the Counsel to the President.

18a. *In her testimony, Dr. Yellen stated that, in evaluating the "likely net economic impact of the Kyoto Protocol," the Administration has "drawn upon a broad array of analytical tools", and a "wide range of models of the energy sector and economy over the next 25 years" to assess the various possible costs and non-climate benefits of the Administration's emissions reduction policy. Please specify all of the models and analytical tools that the Administration has used and describe in detail their strengths and weaknesses.*

Response: As explained in Dr. Yellen's testimony, the existence of modeling difficulties means that we should treat any model results with the caution that is warranted -- not that we should abandon rigorous economic analysis. We have employed a broad set of economic tools to analyze the policy options. Such tools include models of the energy sector and economy over the next 25 years, including but not limited to the results of the Stanford Energy Modeling Forum exercises, the IPCC's review of the economic and social dimensions of climate change, and the staff-level Interagency Analytical Team effort last year. Other tools include simple relevant statistics, "meta-analyses" of existing models (such as that undertaken by Robert Repetto and David Austin of Resources for the Future), historical and sectoral examples, univariate and multivariate regression analysis, simulations, Hotelling-type theoretical models, CEA staff econometric forecasts of emissions in developing countries, stylized models of perfect competition and monopoly, basic economic reasoning and the various other sorts of theoretical and empirical tools of analysis that abound in the scholarly literature. Drawing on this broad array of analytical tools allowed a useful evaluation of the policy alternatives.

We have considered and evaluated the following specific large econometric and computable general equilibrium models of the economics of climate change mitigation: Second Generation Model, G-cubed, MERGE, and DICE. We have also looked at the results from many other models, such as GREEN, DRI, Markal Macro, Megabare, EPPA, FUND, MiniCAM, CETA, RIVM, and CETM/MRT.

18b. *According to the testimony, the Administration has relied particularly on the Second Generation Model of Battelle Laboratories for many of its estimates. However, the IAT report indicated that the SGM model "focusses on long-term transitions and measures the economy in 5 year intervals," so that it risks racing past short-term transition issues, such as GDP loss and impacts on specific industries.*

Specify all of the Administration's estimates that were derived from this model.

Response: The Administration used this model's estimates as one of several inputs in its calculations of likely permit prices and resource costs for the different emissions trading scenarios. Please see the methodology section in the AEA. (see pp. 42-49) Information of the marginal abatement cost curves of non-carbon dioxide greenhouse gases was missing from the SGM output and added to reflect provisions in the Protocol. Numerical estimates of expenditure changes and ancillary benefits used estimates of likely permit prices or emissions reductions as inputs.

Also, indicate why many of the Administration's key estimates were derived from this model.

Response: The SGM model, unlike many economic models of climate change, has an explicit model of emissions reductions in other countries, and so is exceptionally well suited for estimating emissions permit prices given international trade in permits. In addition, it has modules reflecting several major developing countries and data on all other developing countries as a group. Thus, it is well suited to address the effects of developing country participation on permit prices. Finally, the timely availability of sufficient information about a variety of SGM model runs made its use practical between the time the Kyoto Protocol was developed in December 1997 and our first testimony in March 1998.

Finally, please identify the corresponding estimates derived from each model that the Administration has used in assessing the impacts of the Kyoto Protocol.

Response: The development of corresponding estimates is a complicated technical task that is beyond the abilities of our small staff to complete in a timely manner. We expect that the Stanford Energy Modeling Forum, which conducts exercises with a set of energy-economic models to assess hypothetical energy policy scenarios, will continue to produce comparisons of various climate change models' forecasts of the effects of the Kyoto Protocol. Although some of these models have not yet incorporated the five categories of non-CO2 gases directly into their models, these comparisons should provide a full comparison of the SGM predictions with those of other models.

19. *What are the 1990 baseline, the Fiscal Year 1997, 1998 and 1999, data, and the annual outyear estimates until 2012 for the following outcome performance measures mentioned in Dr. Yellen's testimony: morbidity rates for some diseases, mortality rates for some causes, monetary damages from temperature increase, consequences from some catastrophes, traffic congestion, highway accidents, and air pollution unrelated to climate change.*

Response: For all these data we have no information on outcome performance measures for the Fiscal Years requested, or for year-to-year estimates through 2012. For baseline and projections of air pollution, please refer to the EPA Regulatory Impact Analysis for Ozone and Particulate Matter. For baseline and projections of traffic congestion and accidents, please refer to the following report:

> Texas Transportation Institute, Texas Department of Transportation, and the Federal Highway Administration. 1997. Urban Roadway Congestion -- 1982 to 1994. August.

20. *Why does the Administration maintain that the U.S. acid rain program experience "clearly demonstrates how programs like international permit trading, joint implementation and the Clean Development Mechanism will lead firms to find cheaper ways of reducing emissions that can lead to unexpectedly low costs"?*

Response: Emissions trading programs and other market mechanisms, provide continuous economic incentives to reduce emissions further, which generally lead costs to be much lower than would be the case under a variety of more traditional regulatory approaches. The acid rain program, for example, has resulted in compliance costs far below those originally estimated.

Why does the Administration believe that it is appropriate to extrapolate from that experience to the global arena.

Response: The basic principle that there is gain from the ability to trade emissions permits is of quite wide applicability. Indeed the textbook theory of gains from trade is perhaps most familiar and well established at the international level. Economic incentives generally have similar effects in different countries and cultures: people everywhere are interested in higher incomes. International permit markets will lower compliance costs in all participating countries, because they provide financial incentives for sources to reduce emissions. These incentives will have the effect of lowering the costs of emissions cuts relative to what would be the case without any trading of emissions permits.

Won't the effectiveness of the international system, joint implementation, and the Clean Development Mechanism depend on different factors, such as the rules and procedures governing these mechanisms, the extent of participation by other countries, including developing countries?

Response: The Administration believes that effective rules on trading, joint implementation and the Clean Development Mechanism are critical to the success of these mechanisms, and has asked other parties to support such rules.

21a. *In her testimony, Dr. Yellen stated that part of doing it smart (i.e., lowering the costs of reducing greenhouse gas emissions) under the Kyoto Protocol means "taking serious and responsible steps in the short-run to prepare us to meet our obligations in the longer-term." She indicated that these steps include a $6.3 billion program of tax cuts and R&D investments, industry-by-industry consultations to prepare emission reduction plans in key industrial sectors, and legislation to restructure the electrical industry. Under what authority is the Administration pursuing this unilateral executive branch course of action in furtherance of the treaty's emissions reductions targets and without Senate Ratification?*

Response: The programs you describe are not unilateral executive branch actions to implement the Kyoto Protocol. For example, the $6.3 billion Climate Change Technology Initiative (CCTI) is a 1999 budget proposal to Congress. Similarly, the electricity restructuring plan is a legislative proposal. Voluntary actions to reduce greenhouse gas emissions, such as exemplified by the CCTI and industry consultations are fully consistent with the U.S. obligations under the 1992 Framework Convention on Climate Change and existing agency authority. Moreover, these programs are not specifically intended to implement the Kyoto Protocol. Rather, they are meant to keep the United States on a path toward cleaner and more efficient energy use and promote a more competitive electricity industry.

21b. *If the Administration is delaying the submission of the treaty to the Senate until it obtains meaningful participation by developing countries, doesn't that decision also require the Administration to delay any unilateral executive branch action to address global warming until that cooperation is forthcoming.*

Response: The Administration is not embarking on unilateral Executive Branch action to implement the Kyoto Protocol without ratification. To the contrary, steps to ensure compliance with the Protocol's requirements will be undertaken only with the full advice and consent of the Senate. However, the Administration is pursuing a variety of policies that make good sense even independent of concerns about climate change and that has the additional desirable property of reducing greenhouse gas concentrations. Examples of such policies include the CCTI. These polices all reduce energy consumption, and thereby reduce dependence on foreign oil and emissions of air pollutants unrelated to climate change, policy goals that have enjoyed bipartisan support in Congress and have been a long standing priority of this and previous administrations. The 1992 Framework Convention on Climate Change adopted by the Bush Administration and ratified by the Senate requires the United States to take measures to reduce its greenhouse gas emissions.

c. *Given that the Kyoto Protocol seeks to address a global issue, isn't [it] harmful to U.S. interests to proceed without the full participation of developing countries.*

Response: The President has said that he will not submit the Kyoto Protocol for Senate ratification without meaningful participation by key developing countries.

d. *Besides being unconstitutional, isn't it also premature and harmful to U.S. interests to take such unilateral actions, without ratification, when the Administration has characterized the Protocol as a "work in progress" a Protocol that is not yet fully complete nor ready for the President's submission to the Senate?*

Response: The President has clearly stated that the Administration will not circumvent the Congress and implement the Kyoto treaty before it is ratified. However, this does not mean that ongoing efforts to promote energy efficiency, reduce our reliance on foreign oil or improve our air quality should be rolled back. As stated above, these initiatives have enjoyed bipartisan support in Congress and are consistent with our obligations under the 1992 Framework Convention on Climate Change.

D. Cost/Benefit Analysis of the Kyoto Treaty

22a. *Please provide any and all analyses that the Administration or any federal agency prepared (or had prepared) or is preparing (or is having prepared) of the costs and benefits of imposing on the U.S. the binding targets and timetables set forth in the Kyoto Protocol for reducing greenhouse gas emissions, taking into account the global implications of the way in which this agreement is structured.*

Response: Please see the AEA for additional detailed information about the economic analysis of the Kyoto Protocol. (see pp. 39-72)

Also please analyze and document the following:

22b. *Whether the benefits of implementing this Protocol are justified by the costs.*

Response: It is extremely difficult to quantify the long-term economic benefits of climate change mitigation. We have not calculated a monetary value of these benefits. Although we do not think the benefits of mitigating climate change are, at this stage, quantifiable with adequate precision, they are nonetheless likely to be real and large in the long run. Estimates of costs for the United States to meet its Kyoto emissions targets are likely to be modest if these reductions are undertaken in an efficient manner. (see AEA pp. iii.- iv.)

22c. *Evaluate the effectiveness of this agreement by comparing the marginal abatement costs of the most plausible alternative scenarios for meeting the Kyoto targets, given the way in which this agreement is structured, with the marginal costs of other reasonable alternative compliance schemes.*

Response: The Administration has presented a set of scenarios reflecting a variety of assumptions about international trading and participation by developing countries, both in trading and the Clean Development Mechanism. (see AEA pp. 51-53) However, it should be noted that the illustrative analysis in the AEA does not incorporate several components of the Administration's efforts to address the risks of climate change. For example, the illustrative analysis did not take into account cost-effective opportunities for mitigation through carbon sinks, the Administration's electricity restructuring proposal, the Climate Change Technology Initiative, industry consultations, and improved Federal energy management. All of these can provide additional opportunities for abatement domestically that are not reflected in the illustrative analysis because they are not amenable to analysis with a computable general equilibrium model such as SGM.

22d. *With respect to each scenario that is analyzed, identify the assumptions used, explain any uncertainties concerning the assumptions, and examine the sensitivity of net effects to the different compliance strategies, using a range of plausible assumptions about future economic development and about fundamental climate processes.*

Response: Please see the methodology section of the AEA. (see pp. 42-50)

22e. *Evaluate the opportunity costs of pursuing the Administration's strategy for the abatement of greenhouse gas emissions under the terms of the treaty;*

Response: As the Protocol is a work in progress its opportunity costs cannot be evaluated without also considering the additional flexibility mechanisms included as a result of continued United States efforts in ongoing diplomatic discussions. The opportunity costs of the Protocol and the flexibility mechanisms are extensively discussed in prior testimony by Dr. Janet Yellen, and in the AEA. (see pp. 51-68)

22f. *Evaluate how the benefits and burdens of complying with this treaty would be distributed on the national and household levels, describing, among other things, the disparate regional and industrial impacts, and the effects on different income levels.*

Response: We do not have estimates of the distribution of impacts across regions or industries.

23a. *In evaluating alternative scenarios, please examine the following.*

23b. *Compare the economic and environmental effects of not including developing countries in* *the effort to reduce global emissions (with the potential for binding developed countries to even greater obligations, without limiting developing countries at all) against the effects of addressing greenhouse gas mitigation on a global scale by the international community.*

Response: Climate change is a global problem, so policy approaches encompassing more countries will likely be both more effective and more cost-effective than approaches involving only a few countries. Including developing countries will lower costs and permit prices substantially because of the many low cost abatement opportunities in these countries. Estimates from the Battelle Laboratory's Second Generation Model, which are in line with other models, suggest that developing country participation through the Clean Development Mechanism (CDM) along with trading among developed countries with emissions targets could reduce resource costs by 66 percent compared to a domestic only approach. Trading among developed countries with emissions targets without CDM could reduce resource costs by 57 percent compared to a domestic only approach. The model suggests that including key developing country participation through adopting emissions targets and participating in international permit markets along with developed countries could lower costs by nearly 80 percent. (see AEA pp. 51-53)

23c. *Compare the economic and environmental effects of complying with the timeframes set forth in the Kyoto Protocol with the effects of complying over longer time periods.*

Response: The AEA focuses on assessing the economic and environmental effects of complying with the Kyoto Protocol and the President's policies to address climate change.

23d. *Compare the impacts of reducing greenhouse gas emissions using international emissions trading, joint implementation, and the Clean Development Mechanism with the impacts of relying upon domestic emissions permit trading. In this regard evaluate alternative international trading scenarios: trading only among Annex I countries, trading that extends to a number of key developing countries, and trading in which all countries are fully participating.*

Response: Please see the results section of the AEA. (see pp. 51-68)

24. *With respect to any analysis provided, please identify and explain the basis for assumptions used regarding such factors as the rate of improvement in energy efficiency, the effectiveness of market incentives in increasing the market share of fuels that emit less carbon, and economic and demographic growth. Also, explain fully any assumptions on how emissions reductions will be achieved as, for example, through the early retirement of coal plants or nuclear plant life extensions.*

Response: Please refer to the section on energy efficiency improvement in the AEA. (see pp. 46-47) In addition, for a discussion on the effects of a permit trading system on energy efficiency improvement, please refer to p. 53 of the AEA. For a discussion of how emissions reductions are achieved in the Second Generation Model, please refer to Edmonds et al. 1992 (full cite is on p. 75 of the AEA).

25. *In considering the opportunity costs, evaluate the extent to which the Administration's climate change strategy will require the diversion of funds from savings and/or investments which would have provided other benefits, such as saving social security, or more funding for education, health care, etc.*

Response: The resource costs that are described in Dr. Yellen's testimony reflect the opportunity cost as it is usually understood by economists. The apportionment of these costs to foregone spending, whether on social security or education or some other program, is an unconventional analysis that we have not undertaken.

26. *In assessing the impacts on the U.S. of complying with the Kyoto targets and timetables, please explain in detail the potential effects on the following indicators of economic performance: gross domestic product (GDP), per capita GDP, unemployment, income and real wages, trade competitiveness, and energy prices.*

Response: Projected percentage changes in GDP, per capita GDP, energy prices and competitiveness, are outlined in Dr. Yellen's testimony, and discussed in the results section of the AEA. (see pp. 54-61) Given the Administration's policies, complying with the Kyoto targets should not have significant effects on aggregate employment. (see AEA p. 62 and the answer to Question 16h)

27. *In assessing the benefits of complying with the Kyoto treaty, please evaluate fully the potential offsetting negative effects of exempting developing countries and of "carbon leakage".*

Response: Exempting all developing countries would amount to a hypothetical departure from the President's policy. The Kyoto Protocol establishes a Clean Development Mechanism whereby Annex I countries such as the United States or their firms may undertake projects that reduce emissions in developing countries and receive credit for such reductions. CDM is likely to provide a broad range of cost savings to the United States, and this conclusion is consistent with our interpretation of SGM model results that suggest that CDM would reduce resource costs by about 20 to 25 percent relative to scenarios in which there is permit trading either among all or a subset of Annex I countries. Inclusion of developing countries in the CDM and in international emissions trading would mitigate carbon leakage.

28. *President Clinton has suggested that the U.S. economy can continue to grow under this agreement. Please indicate at what rate the Administration expects that the economy will continue to grow during the next 10 to 20 years if the treaty is ratified and at what rate it is expected to grow if the treaty is not ratified.*

Response: As shown in a figure on GDP in 2010 in the results section of the AEA (see p. 59), the effect on the GDP growth rate of the Kyoto Protocol, given the assumptions that we have elsewhere described, is minimal relative to the anticipated growth in GDP between now and 2010. Under business as usual, the Second Generation Model projects U.S. GDP to grow 2.0859% annually between 1995 and 2010. With a permit price of $14/ton, SGM projects the annual growth rate to be 2.0851%, and less than $23/ton, the annual growth rate is projected to be 2.0822%. (see p. 59)

29. *Have any of the cost-benefit analyses performed by the Administration or any agency been peer-reviewed?*

Response: With the exception of the IAT report which was fully the work of many agencies under the direction of the Department of Commerce, and some of the studies by the Department of Energy's National Labs, we are unaware of any peer-review of Administration estimates. The Council of Economic Advisers took the lead on the AEA. This document has not been peer reviewed, consistent with the CEA's policy that it does not submit its analyses or reports for peer review.

30. *In connection with these cost-benefit analyses, fully explain how the baseline(s), against which costs and benefits were calculated, was determined.*

Response: Please see the AEA. (see pp. 42-50)

31a. *Please provide all records of written or oral comments from other agencies on each of the cost-benefit analyses that were performed.*

Response: Documents responsive to this request reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. As to such materials, please contact the Office of the Counsel to the President.

31b. *Please provide all records of comments submitted by federal agencies on Dr. Yellen's draft testimony about the economics of Kyoto for the hearing before the House Commerce Committee on March 4, 1998.*

Response: Documents responsive to this request reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. As to such materials, please contact the Office of the Counsel to the President.

32a. *Given the significant economic costs projected by private sector studies, why did the Administration abandon a year and a half-long effort to develop cost estimates of the President's proposed policies to reduce greenhouse gas emissions?*

Response: First, the significant costs projected by private sector studies are not derived from analyses of emissions reduction scenarios that include the whole range of flexible elements that comprise both the Kyoto Protocol and Administration policy. The Interagency Analytical Team work to which the question refers was a modeling effort that produced some useful lessons, but as we found from the peer reviewers' comments, it also suffered from some shortcomings. The Administration Economic Analysis (AEA) builds on the IAT exercise and also the insights of a wide range of models and other relevant literature to derive its conclusion that, with the flexibility mechanisms included in the treaty, and with sound domestic policies, the economic impacts of complying with the Kyoto Protocol should be modest.

32b. *Please identify any and all private parties that are currently performing economic analyses of the Kyoto treaty or any aspect of it for the Administration. Describe their work and provide all products of their work in draft or final form.*

Response: CEA has no list of parties doing economic analysis of the Kyoto Protocol or any aspect of it for the Administration. Moreover, CEA has no contract or cooperative agreement with any modeler or modelers to undertake specific analyses regarding the Kyoto Protocol.

E. International Emissions Trading

33a. *Even assuming that effective rules and procedures can be developed for an international emissions trading system and for joint implementation projects and that key developing countries agree to participate, isn't there a real risk that these mechanisms could effect an enormous transfer of wealth and jobs out of this country overseas, especially to the countries of the former Soviet Union, China, India, South Korea, Brazil, and Mexico (i.e. that this system would be essentially a foreign aid program)? Some studies have estimated that more than 50% of our reductions would have to be purchased from other countries.*

Response: The Administration is committed to achieving as many cost-effective emissions reductions domestically as possible. At the same time, our analysis does suggest that for the 2008-2012 time frame it makes sense for the United States to pursue low cost emissions reductions abroad, as would happen with the full implementation of an international emissions trading program. The key point is that trading will be economically beneficial to U.S. firms. We expect the Annex B parties of the former Soviet Union and key developing countries will provide significant investment opportunities for U.S. firms to capture gains from emissions trading as those countries restructure and develop their economies. Developing countries will represent the greatest share of new energy, transportation, and building infrastructure investment worldwide in the coming decades, and U.S. firms can help provide clean technologies and financing that will build those economies and markets, help stave off disruptive climate effects, and allow U.S. firms to capitalize on their investments in environmentally superior products and processes.

Our analysis does not suggest that emissions trading will have a significant negative impact on U.S. employment. If anything, the lower costs associated with a comprehensive trading program will help protect American jobs.

33b. *Please provide and document estimates of the percentage of U.S. emissions reductions that might have to be purchased from other countries to minimize the costs of reducing emissions and which countries likely would be the beneficiaries.*

Response: Our analyses provide illustrative estimates of how emissions trading and other flexibility mechanisms can lower costs, but ascribing with precision the emissions reduction to any particular country is impossible. The trades and emissions reductions undertaken by U.S. firms will depend on a whole host of factors such as the costs (including transactions costs) of emissions reductions in participating countries, the extent to which emissions can be cost-effectively offset through sinks at home and abroad, the role of the six categories of gases, and the development and deployment of climate-friendly technology. Further, the "beneficiaries" of trading would include the United States, particularly U.S. firms, due to the lowered costs of achieving our target.

34a. *What real incentive do developing countries have to participate in the international emissions trading system, which would require them to commit to mandatory reductions, when they can transfer emissions reductions credits in connection with joint implementation projects and obtain financing through the Clean Development Mechanism?*

Response: Developing countries would experience significant gains from trading in emissions permits. The economic and environmental rationales for a target and trade approach by developing countries include:

- Greater economic benefits to developing countries: With targets at or only slightly below their business-as-usual (BAU) projected emissions growth, emissions reductions in developing countries would produce many billions of dollars through the international sale of emission reductions achieved at lower cost than the world price.

- Target and trade yields greater benefits than CDM: While the Clean Development Mechanism will result in benefits for developing countries, an effective target and trade system can produce far greater benefits to developing countries. In contrast to the CDM, which is project based, countries that agree to emissions targets can employ a wide variety of measures to reduce emissions, and need not rely exclusively on project-based reductions. Nor do they always need to establish a baseline against which projects generate reductions. Like other trading parties, developing countries that agree to a target and trade system would need to follow the rules and guidelines for trading, but are otherwise free to pursue emissions reductions and sequestration in any and all sectors in the way they see fit. The advantage of trading is that they can be compensated for those reductions in a way in which they cannot be without a binding obligation, and the opportunities are more comprehensive than with CDM alone.

- Environmental benefits: Developing countries participating by adopting emissions targets would help to more effectively protect and manage the global environment. Reducing carbon dioxide emissions is in their interest, because in many cases, developing countries are especially vulnerable to the risks of climate change. In addition, lower carbon dioxide emissions in developing countries generate ancillary air quality benefits through lower particulate matter, sulfur dioxide, and nitrogen oxides emissions. Air quality is a key environmental concern in many developing countries

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EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

THE OLD EXECUTIVE OFFICE BUILDING

Date: 7-29-98

Please deliver to: Chad Calvert

FAX number of addressee: 202-228-0359

Telephone number of addressee: 202-224-3424

From: Michele Jolin
CEA Chief of Staff

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Number of pages, including cover sheet: 3

Message:

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE CHAIRMAN

July 29, 1998

Dear Senator Enzi:

I understand that you would like me to elaborate on the views I expressed during my testimony before Congress regarding public disclosure of the documents that were relied on in preparation of my testimony on the economic implications of the Kyoto Protocol. It is also my understanding that you are specifically interested in the reasons why public disclosure of these documents would not be useful to U.S. interests in ongoing international negotiations.

The economic materials relied on in the preparation of my testimony reflect internal deliberations of the Executive Branch, and in particular, of the President's economic advisers. Nonetheless, we provided these documents to you and several House Committees, expressly on the basis that they not be made public. We did so in an effort to accommodate the legitimate oversight needs of Congress while preserving the President's interest in the confidentiality of Executive Branch deliberations. The White House Counsel's Office is concerned that public disclosure of these materials would set an unfortunate precedent that could chill the free flow of internal discussions essential to effective Executive decision making. Counsel believes that such disclosure is not necessary for purposes of Congressional oversight.

In addition, disclosure of some of these documents would not be helpful to the position of the United States in ongoing international negotiations. The documents reveal Administration assessments of the costs of options that are the topic of ongoing negotiations in international fora. We prefer that other countries participating in those negotiations not have access to such materials.

I appreciate your consideration of our views on this matter . Please let me know if you have any other questions or need additional information.

Sincerely,

Janet L. Yellen

Janet L. Yellen

The Honorable Michael B. Enzi
United States Senate
Russell Senate Office Building
Washington, D.C. 20510

************************* -JOURNAL- *************** DATE JUL-29-1998 ***** TIME 10:39 ***********

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-CEA -

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I understand that you would like me to elaborate on the views I expressed during my testimony before Congress regarding public disclosure of the documents that were relied on in preparation of my testimony on the economic implications of the Kyoto Protocol. It is also my understanding that you are specifically interested in the reasons why public disclosure of these documents would not be useful to U.S. interests in ongoing international negotiations.

The economic materials relied on in the preparation of my testimony reflect internal deliberations of the Executive Branch, and in particular, of the President's economic advisers. Nonetheless, we provided these documents to you and several House Committees, expressly on the basis that they not be made public. We did so in an effort to accommodate the legitimate oversight needs of Congress while preserving the President's interest in the confidentiality of Executive Branch deliberations. The White House Counsel's Office is concerned that public disclosure of these materials would set an unfortunate precedent that could chill the free flow of internal discussions essential to effective Executive decision making. Counsel believes that such disclosure is not necessary for purposes of Congressional oversight.

In addition, disclosure of some of these documents would not be helpful to the position of the United States in ongoing international negotiations. The documents reveal Administration assessments of the costs of options that are the topic of ongoing negotiations in international fora. We prefer that other countries participating in those negotiations not have access to such materials.

I appreciate your consideration of our views on this matter . Please let me know if you have any other questions or need additional information.

Sincerely,

Janet L. Yellen

Janet L. Yellen

The Honorable Michael B. Enzi
United States Senate
Russell Senate Office Building
Washington, D.C. 20510

CC MJ
JAF
JA

CONSAD

CONSAD Research Corporation
121 North Highland Avenue
Pittsburgh, Pennsylvania 15206
Telephone: (412) 363-5500
FAX: (412) 363-5509

RECEIVED
JUL 06 1998
WILLIAM J. COYNE
WASHINGTON, D.C. 20515

29 June 1998

Dear Reader,

CONSAD Research Corporation has conducted an analysis of the economic impacts of the proposed Kyoto Protocol which is summarized in the enclosed May 1998 report. Our results parallel findings by other leading economic forecasters, and detail the primarily adverse impact the treaty would have on employment, economic output, and standard of living for working families, senior citizens, and those who live on fixed or low-incomes. The study also provides a 50 state breakdown of job changes and economic dislocations due to policies enacted to implement the Kyoto Protocol. Given the embryonic status of the proposed international emission trading system, this study assumes that the system will not be sufficiently mature by the first budget period to have an appreciable impact on costs. We therefore assume that only domestic emission trading will occur.

Very briefly, CONSAD's key findings are that implementation of the Kyoto Protocol will mean that:

- As many as 3.1 million fewer American workers will be working in 2010 as a direct result of this treaty;
- U.S. Gross Domestic Product (GDP) in 2012 will decline by at least $177 billion and perhaps by as much as $318 billion; and
- Every region of the U.S. will experience increased unemployment due to the treaty, with the greatest losses occurring in California, Arizona, Louisiana, Oklahoma, and Texas.

Detailed results and explanations are presented in the report.

This subject is, clearly, of interest to all Americans. By all means, feel free to call me with questions, comments, and observations.

Sincerely,

Frederick H. Rueter

Frederick H. Rueter, Ph.D.
Vice President

FHR:hlc
Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20502

July 20, 1998

MEMORANDUM FOR: Janet Yellen, CEA
Todd Stern, WH
Jim Steinberg, NSC
Gene Sperling, NEC
Sally Katzen, NEC
Bill Antholis, NEC
Stu Eizenstat, State
Katie McGinty, CEQ
David Sandalow, CEQ/NSC
Rosina Bierbaum, OSTP
Larry Summers, Treasury
Jeffrey Frankel, CEA

FROM: Joe Aldy

SUBJECT: Final Clearance Draft of Climate Change Economic Analysis Document

Please find attached the final clearance draft for your review. If you have any additional comments or suggestions, you may send them to me by phone (395-1455) or fax (395-6870). Any comments must be received by 10 a.m. Tuesday, the 21st so that the document may go to the printer by COB Tuesday. Please note that some internal references (e.g., page numbers in table of contents) may not be correct in this draft -- all of these will change when we format the document for publication.

Attachment

Ambassador Wendy Sherman
Counselor
Department of State
Room 7509
2201 C Street, N.W.

COPIES ALSO TO: Janet Yellen, Jeff Frankel, Michele Jolin, Randy Lutter, Joe Aldy, Adele Morris, Zac Candelario, Mike, Matt

Bill Antholis
Room 227
OEOB

The Honorable David Wilcox
Room 3445
Main Treasury

Jon Gruber
Room 3454
Main Treasury

Jim Rubin
WHCCTS
734 Jackson Place

Bob Tucillo
OMB
Room 8026
NEOB

Victoria Greenfield
State
Room 6828

Rob Weiner
Office of the General Counsel
Room 128
OEOB

Rafe Pomerance
Room 7831
State

Roger Ballentine
Room 102
East Wing
The White House

Mark Mazur
Dept of Energy
Room 7A-175, Forrestal Building
1000 Independence Ave., SW

David Gardiner
EPA
Room 1013 West Tower
401 M Street SW

Ed Montgomery
Room S-2514
Labor Department
200 Constitution Ave., NW

David Doniger
EPA
Room 939-B, West Tower
401 M Street SW

Joseph Glauber
Dept. Of Agriculture
Room 112-A, Whitten Building
1400 Independence Ave., SW

Dirk Forrister
WHCCTF
734 Jackson Place

Melinda Kimble, Assistant Secretary for Oceans,
Intnt'l Environmental & Scientific Affairs
Department of State, Room 7831
2201 C Street, N.W.

MEMORANDUM

TO: Rosina Bierbaum
Stu Eizenstat
Jeff Frankel
Sally Katzen
Katie McGinty
David Sandalow
Gene Sperling
Jim Steinberg
Todd Stern
Larry Summers
Janet Yellen

FROM: Joe Aldy

DATE: July 20, 1998

RE: Final Clearance Draft of Climate Change Economic Analysis Document

Please find attached the final clearance draft for your review. If you have any additional comments or suggestions, you may send them to me by phone (395-1455) or fax (395-6870). Any comments must be received by 10 am Tuesday the 21st so that the document may go to the printer by COB Tuesday. Please note that some internal references (e.g., page numbers in table of contents) may not be correct in this draft -- all of these will change when we format the document for publication.

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

July 10, 1998

TO: Janet Yellen, CEA
Todd Stern, WH
Rob Weiner, WH
Jim Steinberg, NSC
Gene Sperling, NEC
Sally Katzen, NEC
Bill Antholis, NEC
Katie McGinty, CEQ
David Sandalow, CEQ/NSC
Rosina Bierbaum, OSTP
Dirk Forrister, Climate Change Task Force
Larry Summers, Treasury
David Wilcox, Treasury
Wendy Sherman, State
Melinda Kimble, State
Victoria Greenfield, State
Mark Mazur, Energy
David Gardiner, EPA

FROM: Joe Aldy, CEA

RE: Draft of Climate Change Technical Support Document for Agency Clearance

Attached please find for your review and clearance the final draft of the Administration's climate change economic analysis document. While comments on the last circulated draft have been incorporated, the substance of the document is essentially unchanged from that version. The deadline for sending any necessary comments is 2 p.m. Saturday, July 11. My fax number is 395-6870; please copy all comments to Todd Stern at 456-2215. If you need to reach me by phone, I can be contacted at 395-1455. We appreciate all of the assistance and input provided by you and your staffs on earlier drafts.

Joseph E. Aldy
07/10/98 03:35:33 AM

Record Type: Record

To: Sandra F. Daigle/CEA/EOP, Alice H. Williams/CEA/EOP

cc: Michael A. Egner/CEA/EOP, Matthew C. Weinzierl/CEA/EOP
Subject: the final draft of the document

We are ready to circulate our climate change document for final agency clearance. However, Todd wants to impose a very quick deadline for comments (2pm Saturday), so we need to get this out asap. Would one of you mind taking care of the dirty work for me? The document needs to be copied, so if you could arrange to have it copied at the copy center that would be great. Then we need to circulate to the people on the distribution list in the attached memo. Further, we need copies for the following people in-house:

Jeff
Randy
Michele
Zac
Matt
Mike

Please feel free to enlist Matt or Mike (the enviro interns) for any help, especially delivering the documents. If the WH courier makes noise about not being sure if they can deliver them all today, then just ask one of the interns to do the rounds -- the report must go out Friday, and most preferably before noon. Regardless of what the WH courier says, for Treasury and State, we should have an intern hand deliver them. At Treasury, have an intern call Ben Jones at 622-4447 and at State have an intern call Victoria Greenfield at 647-6985. The intern should ask them to either clear him into the building, or to meet at one of their entrances. If we cannot reach either of these people, then we should try their secretaries.

Thank you so much for all your help with this (and with the many times before).

Joe

PS: The hard copy of the document is in the chair by my door (325).

clermem1.wpd

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

Date: June 3, 1998

Please deliver to: Todd Stern, Roger Ballentine, Rob Weiner, Julie Andersen

FAX number of addressee: ____________

Telephone number of addressee: ____________

From: *Michele Jolin*
CEA Chief of Staff

FAX number of sender: *(202) 395-6958*

Telephone number of sender: *(202) 395-5084*

Number of pages, including cover sheet: 4

Message: Attached is our latest letter from the McIntosh Committee

CC: JLY, MJ, RL, AM, JA

ONE HUNDRED FIFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
MINORITY (202) 225–5051
TTY (202) 225–6852

SUBCOMMITTEE ON NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS
B-377 Rayburn House Office Building
Washington, DC 20515
Phone: (202) 225-4407
Fax: (202) 225-2441

FAX TRANSMITTAL

TO: THE HON. JANET YELLEN

FAX NUMBER: 395-6958

# of PAGES: 3 (including cover page) DATE: 6/3/98

FROM:

✓ Chairman David M. McIntosh

___ Mildred J. Webber - Staff Director (mildred.webber@mail.house.gov)

___ Jay Apperson - Special Counsel (jay.apperson@mail.house.gov)

___ J. Keith Ausbrook - Senior Counsel (keith.ausbrook@mail.house.gov)

___ Karen Barnes - Professional Staff (karen.barnes@mail.house.gov)

___ Sean Cunningham - Counsel (sean.cunningham@mail.house.gov)

___ Larisa Dobriansky - Senior Counsel (larisa.dobriansky@mail.house.gov)

___ Barbara Kahlow - Professional Staff (barbara.kahlow@mail.house.gov)

___ Andrew Wilder - Clerk (andrew.wilder@mail.house.gov)

COMMENTS:

ONE HUNDRED FIFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051
TTY (202) 225-6852

June 3, 1998

BY FACSIMILE

The Honorable Janet L. Yellen
Chair
Council of Economic Advisers
Washington, D.C. 20500

Dear Chair Yellen:

Your May 18, 1998 partial response to the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs' March 13, 1998 oversight questions about the White House Initiative on Global Climate Change was incomplete with respect to question 4 and failed to provide other requested information and documents. Accordingly, this letter restates that question and renews my request for the information and documents responsive to my original request.

Question 4 asked you to provide a table with FY 89 - FY 99 historical budget authority for your agency for any other components of the Administration's climate change program. My question was intended for you to include not only program dollars but also salaries and expenses account dollars since they account for most of your agency's expenditures. In fact, because your agency has been a major participant in the Administration's climate change policy development process, your staff time has probably been considerable.

Finally, while I appreciate your agency's effort to develop answers and locate responsive documents for my remaining questions, it has already taken more than two and one-half months to conduct a search. I have specifically excluded the Council on Economic Advisers (CEA) from my requests for subpoenas from Chairman Burton in the hope that CEA would be responsive. Unless you can commit to a full and prompt response and production of documents, I will pursue the issuance of a subpoena from Chairman Burton.

Please contact Subcommittee Senior Counsel Keith Ausbrook at 225-4407 to discuss the production of documents and any other questions you may have regarding the Subcommittee's requests. All responses and documents should be produced to the Subcommittee office in Room B-377 Rayburn House Office Building.

Thank you in advance for your attention to these matters.

Sincerely,

David McIntosh

David M. McIntosh
Chairman
Subcommittee on National Economic Growth,
Natural Resources, and Regulatory Affairs

cc: The Honorable Dan Burton
The Honorable John Tierney

TRANSMISSION RESULT REPORT (JUN 04 '98 03:15PM)

CEA WDC

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FILE	FILE TYPE	OPTION	TEL NO.	PAGE	RESULT
024	TRANSMISSION		62215	04	OK

ERRORS

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TRANSMISSION RESULT REPORT (JUN 04 '98 03:13PM)

CEA WDC

(AUTO)

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023	TRANSMISSION		52342	04	OK

ERRORS

1) HANG UP OR LINE FAIL 2) BUSY 3) NO ANSWER 4) NO FACSIMILE CONNECTION

TRANSMISSION RESULT REPORT (JUN 04 '98 03:10PM)

CEA WDC

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022	TRANSMISSION		61647	04	OK

ERRORS

1) HANG UP OR LINE FAIL 2) BUSY 3) NO ANSWER 4) NO FACSIMILE CONNECTION

TRANSMISSION RESULT REPORT (JUN 04 '98 03:08PM)

CEA WDC

(AUTO)

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FILE	FILE TYPE	OPTION	TEL NO.	PAGE	RESULT
021	TRANSMISSION		66468	04	OK

ERRORS

1) HANG UP OR LINE FAIL 2) BUSY 3) NO ANSWER 4) NO FACSIMILE CONNECTION

Sandy — Would you please circulate this to JAF, JA, RL & AM? Thanks

White House Climate Change Task Force

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

FAX

To: Michele

Organization/Title:

Fax: Phone:

Pages (including cover): Date:

From: Julie

Phone:

Message:

1. Witness list
2. Document circulated by majority to their Committee members.

JAMES M. TALENT, Missouri
Chairman

NYDIA M. VELÁZQUEZ, New York

Congress of the United States
House of Representatives
105th Congress
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0515

To: George
From: Peter

Tentative Witness List

Oversight Hearing on the Kyoto Protocol: The Undermining of American Prosperity?

Thursday, June 4th, 1998
10:00 AM
2360 Rayburn House Office Building

First Panel

Honorable Janet L. Yellen
Chair
Council of Economic Advisers
Washington, DC

Second Panel

Mr. Fred L. Smith, Jr.
President
Competitive Enterprise Institute
Washington, DC

Mr. Raymond J. Keating
Chief Economist
Small Business Survivial Committee
Washington, DC

Mr. Terry F. Steinbecker
President & CEO
St. Joseph Light & Power Co.
St. Joseph, MO

Mr. Carl F. Dahlberg
President
St. Mary Galvinizing Company
Morgan City, LA

Mr. Harry C. Alford
President & CEO
National Black Chamber of Commerce
Washington, DC

THE KYOTO PROTOCOL:

WHAT YOU MAY NOT KNOW ABOUT THE GLOBAL CLIMATE TREATY

What is the Kyoto Protocol?

Negotiations on the Kyoto Protocol to the United Nations Framework Convention on Climate Change were completed December 11, 1997, committing the industrialized nations to specified, legally binding targets for emissions of six "greenhouse gasses." The treaty will be open for signature from March 15, 1998 until March 15, 1999. The United States has agreed to a target of reducing greenhouse gasses by 7% below 1990 levels during a "commitment period" between 2008-2012.

The Administration has indicated that until developing countries such as Mexico, China, and Brazil also make commitments to participate in greenhouse gas limitations, it will not submit the protocol to the Senate for advice and consent – the final approval necessary before U.S. involvement becomes official. This is due, in part, to a Senate resolution (S.R. 98), which passed by a vote of 95-0, that expressed opposition to any treaty that does not include emissions limitations for developing countries.

However, if the developing countries agree to the treaty, the Administration must submit the agreement to the Senate for approval. Ratification requires a two thirds majority vote, and although no date for consideration has been set, it is possible the treaty could come before the Senate in 1999.

What is Global Warming?

A protective blanket of atmospheric gasses keeps the earth warm enough to be habitable. It's called the greenhouse effect, and these heat-trapping gases- water vapor, carbon dioxide, methane, nitrous oxide and engineered chemicals such as chlorofluorocarbons (CFC's) - are called greenhouse gasses.

According to the American Petroleum Institute, water vapor is the most common greenhouse gas and the biggest contributor to natural greenhouse warming. Water vapor enters the atmosphere when water from oceans, lakes, and soil evaporates into the air. Water vapor and clouds play such an important role in the greenhouse effect that if carbon dioxide disappeared and water vapor and clouds remained, 98% of the greenhouse effect would still warm the earth.

Carbon dioxide is both a natural part of the atmosphere and a product of human and animal breathing. All living things participate in this carbon cycle. Plants extract carbon dioxide from the air and turn it into carbon and oxygen. When plants decay, carbon dioxide is released back into the atmosphere, or stored in soil and water. **Each year, the oceans release 90 billion metric tons of carbon; decaying plants release 30 billion metric tons; and plants and animals release another 30 billion metric tons.**

Human activities—including the burning of fossil fuels such as oil, natural gas, coal and wood—add about 7 billion metric tons of carbon each year. The burning of fossil fuels accounts for less than 5 percent of all carbon produced annually, according to data from the Intergovernmental Panel on Climate Change ("IPCC"), the United Nations panel that deals with global climate issues, and the U.S. Department of Energy.

The oceans, plants and trees absorb most carbon dioxide. However, a little more than 3 billion metric tons of carbon are added to the atmosphere each year. Over the past 200 years, the concentration of carbon dioxide in the atmosphere has increased from 280 parts per million to about 360 parts per million today.

Most scientists predict that U.S. carbon dioxide emissions will grow slowly in the decade ahead. Most emissions will come from countries with growing economies and or large populations, including the developing nations of China, Mexico, Korea and India. **According to the IPCC, developing nations, emissions not restricted by the Kyoto Protocol, will produce 68 percent of all-energy related carbon dioxide emissions by 2025, and 76 percent by 2050.**

There has been considerable debate about whether increasing concentrations of carbon dioxide and other gases, referred to as Greenhouse Gas ("GHG") emissions, are causing or would cause significant global warming. The Clinton Administration has admitted that it would take at least ten years or more of scientific study to confirm that the global climate is changing. Further, many economists and stakeholders, who would be affected by efforts to reduce carbon emissions, have warned that the economic consequences of mitigating an as-yet unsubstantiated problem are significant. The Administration has acknowledged that the capping of GHG emissions would permanently reduce economic growth.

What is Emissions Trading and Why Does It Matter?

To meet the treaty levels of reduction, the State Department has proposed tradable emission permits as a mechanism for reducing carbon emissions The emissions trading system as proposed in the Kyoto protocol would operate in the following manner.

As an example, the U.S. could buy credit slips from other countries. If Canada reduced its emissions 5% below what the protocol required of it, the U.S. could give Canada cash in exchange for being credited with a 5% emissions reduction. In another emissions trading scenario, a U.S. company builds an oil refinery in Saudi Arabia that emits fewer emissions than other refineries in Saudi Arabia. This company gets credit and can emit more emissions at one of its U.S. refineries.

Creating an effective international emissions trading program covering six gasses and all household, commercial, industrial, agricultural, forestry and related sources of greenhouse gas emissions is nearly impossible. The difficulties experienced by the UN weapons Inspection Program and the routine piracy of American intellectual property despite international trademark and copyright laws are proof that a UN emissions trading program would be a disaster.

There is no international body designed to allocate, monitor, and enforce an emissions trading program. Nor, if everything fell perfectly in place, would the trading concept outlined in the Kyoto Protocol achieve its original goal—dramatically cutting costs as well as emissions. Instead, the Kyoto agreement limits trading to industrial countries only. This means that the least costly opportunities to reduce emissions—opportunities located largely in developing countries—are off the table. In whole, the Administration's 'so called' market oriented system of emission reduction will not work.

Kyoto and the U.S. Economy – What It Will Cost America

Efforts to implement the Kyoto protocol will prove enormously costly—and perhaps impossible. The costs associated with the Kyoto protocol are a "stealth tax" on American businesses and consumers. This protocol would create a UN bureaucracy that could possibly be dominated by countries quite willing to use provisions in the protocol to impose economic and social change on U.S. businesses, families, and workers—for little, if any, environmental gain.

In a domestic emissions trading system, permits lead to higher energy prices in order to encourage people to consume less. How much would energy prices rise? **Using a U.S. Energy Information Agency ("EIA") study, the scenario of returning U.S. carbon emissions to 1990 levels (the Kyoto agreement is 7% below 1990 levels) would increase business, consumer, and government expenditures on energy by about $190 billion (in 1995 dollars). This includes:**

- **$46 billion increase in residential expenditures on energy,**
- **$29 billion by the commercial sector,**
- **$65 billion by the industrial sector, and $51 billion by the transportation sector.**

Under EIA's global emissions trading scenario, the United States would likely send $10 to $12 billion—annually—to foreign countries in exchange for greenhouse emission permits – to do the things we are already doing. Regardless of how the Kyoto trading regime is designed, American businesses, consumers, and workers will have great difficulty paying for—or stomaching—a stealth tax that, in reality, is massive foreign aid to a few countries.

According to the Global Climate Coalition, the closest example of the possible economic effect of the Kyoto Protocol are the energy price shocks of the 1970's and early 1980's. During the 12 years between 1973 and 1985, real U.S. energy prices quadrupled. The U.S. experienced three recessions and the Gross Domestic Product (GDP) declined in four years. Due to these changes, energy use merely stabilized over a 10 year period as the ratio between carbon input and GDP declined about 2.3% per year. To cut U.S. emissions during a similar period of time ahead of us—from 1998 to 2010—the U.S. carbon to GDP ratio will have to decline 3.8% per year. In short, history informs us that if regulation or legislation is used, in the name of the Kyoto Protocol, to sharply increase the price of coal, home heating oil, gasoline, diesel, and aviation fuels, the U.S. economy will be destabilized and a prolonged recession could follow. The gas lines and rationing of the 1970's pale by comparison.

Dr. Lawrence Horwitz, a respected economist at DRI/McGraw Hill, analyzed the annual economic effect of greenhouse gas mitigation. He estimates that a carbon tax of $100 a ton, which would lower emission levels to near 1990 levels, would cost the

American economy $203 billion annually. **According to his calculations, a $200-a-ton carbon tax (which would ensure emissions 7% below 1990 levels) would cost the American economy 4.2% of its GDP, or $350 billion a year in reduced production of goods and services.**

One key reason for the lower level of GDP is reduced global competitiveness. Because the imposition of the carbon target and permit system is not borne equally by all countries—the developed countries face comparable energy price increases, but the developing countries do not—U.S exports are relatively more expensive on the world market, while the prices of many imported goods fall. As a consequence, exports are lowered dramatically, while imports are increased substantially. Real net exports—the difference between total exports and total imports of goods and services—are significantly lower after the imposition of the policy to limit carbon emissions. The trade deficit would rise to an unprecedented level.

Some of the most significant effects cannot be expressed in dollar terms. For **example, Dr. Horwitz projects that 520,000 jobs would be lost each year from 1998 to 2010 under a $100-a-ton carbon tax. Under a carbon tax of $200 a ton, the American economy would lose an average of 1.1 million jobs over that 12-year period.** Moreover, if a carbon tax fell solely on industrialized nations and not on developing nations, as is currently the plan in the Kyoto Protocol, total worldwide greenhouse gas emissions would be likely to rise, not fall. Thus, the price of goods such as oil is likely to substantially decline on the world market. However, the lower prices of these goods would encourage poorer developing countries- to increase their use of fossil fuels, resulting in a net increase in greenhouse gas emissions.

Conclusion

The greatest risk of the Kyoto Protocol is that this agreement, if ratified by the U.S., will fail to achieve any useful result while imposing major costs on the world economy. The economic repercussions will fall most heavily on the poor at home and abroad. While large companies will move their operations into developing countries taking many U.S. jobs with them, most small businesses will not be able to move and will suffer tremendously.

Energy intensive operations such as bakeries, dry cleaners, auto repair shops, small manufacturers, and, ironically, recycling businesses will be hit immediately upon ratification of the Kyoto Protocol. Small businesses will be forced to operate much smaller, less useful vehicles, pay higher gas taxes, as well as higher utility bills.

The Kyoto Protocol, if ratified, will threaten U.S. sovereignty by creating an international agency that would be given the power to punish businesses, governments and other organizations that fail to meet the targets. We must be vigilant. Through the oversight process and citizen involvement, we must act to save our sovereignty, economy, and nation from the possible destructive consequences that the Kyoto Protocol will produce.

For more information, contact the Committee on Small Business at (202) 225-5821 or visit the Committee home page at http://www.house.gov/smbiz.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

Date: 6-3-98

Please deliver to: Julie Anderson

FAX number of addressee: 5 2342

Telephone number of addressee: ____________

From: Michele Jolin
CEA Chief of Staff

FAX number of sender: (202) 395-6958

Telephone number of sender: (202) 395-5084

Number of pages, including cover sheet: 2

Message:

1. Dr. Yellen, several studies sponsored by industry have claimed that the Kyoto agreement will cause energy prices to shoot up dramatically and force millions of workers to lose their jobs. In your testimony, you have argued that the effects of climate change policy on energy prices and employment will be quite modest. How do you reconcile the Administration's numbers with these doomsday reports we are hearing from industry?

2. Dr. Yellen, you have stated in your testimony that addressing all greenhouse gases and carbon sinks provides opportunities to reduce total emissions at lower costs. Could you explain why including all greenhouse gases and sinks can lower costs?

3. Dr. Yellen, you mentioned the Clean Development Mechanism in your testimony. Could you explain how this mechanism might work, how it would affect the U.S. costs of complying with our emissions target, and incentives it might provide for exporting U.S. technology? Further, what are the benefits of allowing projects under the Clean Development Mechanism to start in 2000?

4. Dr. Yellen, you mentioned in your testimony that international emissions trading provides cost-savings to the U.S. Could you explain why trading would lower our costs?

5. Dr. Yellen, you discuss in your testimony how Annex I trading would lower the costs to the U.S. by about half, and how the so-called "umbrella" trading arrangement would result in even greater cost-savings. Could you explain why trading among a smaller set of countries would result in greater cost-savings?

6. Dr. Yellen, some opponents of the Kyoto agreement claim that emissions trading will not work. As you mentioned in your testimony, the U.S. has experience with emissions trading. Could you describe our experience with the sulfur dioxide trading program, and discuss the cost-savings associated with this effort to address acid rain?

7. Dr. Yellen, could you describe some of the additional non-climate benefits that we might expect from reducing our carbon emissions and explain why we gain these benefits?

8. Dr. Yellen, could you discuss the possible impact the Administration's climate change policy could have on our imports of oil?

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

THE OLD EXECUTIVE OFFICE BUILDING

Date: 6-3-98

Please deliver to: George Randles

Minority Staff

FAX number of addressee: 226-3424

Telephone number of addressee: ____________

From: Michele Jolin
CEA Chief of Staff

FAX number of sender: (202) 395-6958

Telephone number of sender: (202) 395-5084

Number of pages, including cover sheet: 21

Message: Attached is testimony to be delivered by Dr Yellen tomorrow before your committee

************************* -JOURNAL- *************** DATE JUN-03-1998 ***** TIME 15:17 **********

NO.	COM	PAGES	FILE	DURATION	X/R		IDENTIFICATION	DATE	TIME	DIAGNOSTIC
01	OK	002/002	952	00:01'29	XMT	T	912122280150	JUN-02	14:11	840446A00800
02	OK	011		00:06'07	RCV		847 491 9916	JUN-02	15:23	05025A3C7820
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06	OK	006		00:03'23	RCV		847 491 9916	JUN-02	15:50	05025A3C7820
07	OK	002/002	958	00:01'29	XMT	T	916174974979	JUN-02	16:23	840446A00800
08	OK	002		00:01'49	RCV		617-495-8582	JUN-02	16:45	05024ACC1800
09	OK	009		00:04'07	RCV		1 602 752 7890	JUN-02	16:54	05025A5C7020
10	OK	003/003	961	00:01'03	XMT	T	915083625841	JUN-02	18:53	84045A3C7820
11	OK	002		00:01'04	RCV			JUN-02	19:40	05025A3C7820
12	OK	013		00:17'57	RCV			JUN-02	20:00	050256507820
13	OK	004		00:04'10	RCV		Via Fax	JUN-03	08:37	0502562C7820
14	OK	017		00:08'11	RCV		202 647-6876	JUN-03	09:04	05229A3C7820
15	OK	009		00:09'54	RCV		202 622 9260	JUN-03	09:14	050256507820
16	OK	002		00:02'01	RCV		Via Fax	JUN-03	09:41	0502562C7820
17	OK	010		00:03'42	RCV		(202) 395-5691	JUN-03	09:54	05229A3C7820
18	OK	001		00:00'59	RCV		9194726550	JUN-03	10:02	05025A3C7820
19	OK	001		00:00'59	RCV		456 6704	JUN-03	10:30	05025A3C7820
20	OK	001		00:04'59	RCV		703 644 5760	JUN-03	11:18	050256C02820
21	416	000		00:03'04	RCV		703 644 5760	JUN-03	11:24	050256C02820
22	OK	004		00:02'05	RCV		GROUP3	JUN-03	11:27	012296307820
23	OK	001		00:06'27	RCV		703 644 5760	JUN-03	11:33	050256C02820
24	OK	006		00:03'59	RCV		2026462948	JUN-03	12:07	05025A3C7820
25	OK	005		00:04'22	RCV		TEL 703/749-0040	JUN-03	12:41	050246202800
26	OK	003		00:01'26	RCV		GROUP3	JUN-03	12:50	012296307820
27	OK	003		00:01'49	RCV		GROUP3	JUN-03	13:13	010256307820
28	OK	002/002	979	00:01'01	XMT	T	52342	JUN-03	13:39	840456307820
29	OK	003		00:01'23	RCV			JUN-03	13:51	05025A3C7820
30	OK	002		00:01'43	RCV		0904012612	JUN-03	14:19	050246A02800
31	OK	007		00:03'02	RCV		(202) 395-5691	JUN-03	14:31	05229A3C7820
32	OK	021/021	983	00:13'26	XMT	T	92263424	JUN-03	15:03	840456A07820

-CEA -

*********************************** -202 395 6958 - ***** - 202 395 6958- ***********

6-4-98

CC; MJ
RL
JA
AM
File

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS
2361 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-5821 fax(202) 225-2934

FACSIMILE TRANSMITTAL SHEET

TO: Honorable Janet Yellen	FROM: Peter Brechtel
COMPANY: White House	DATE: 5/22/98
FAX NUMBER: 395-6947	TOTAL NO. OF PAGES INCLUDING COVER: 3
PHONE NUMBER:	SENDER'S REFERENCE NUMBER:
RE: Formal Invitation	YOUR REFERENCE NUMBER:

☐ URGENT ☐ FOR REVIEW ☑ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

JAMES M. TALENT, MISSOURI
CHAIRMAN

NYDIA M. VELÁZQUEZ, NEW YORK

Congress of the United States
House of Representatives
105th Congress
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6315

May 22, 1998

Honorable Janet L. Yellen
Chair
Council of Economic Advisors
OECB 17th & Pennsylvania Ave., N.W.
Washington, DC 20500
(202) 395-6947

Dear Dr. Yellen:

I am writing to invite you to testify before the Committee on Small Business at a hearing to be held in room 2360 of the Rayburn House Office Building on June 4th, 1998. The hearing will begin at 10:00 a.m. I welcome your participation in this important hearing.

This hearing will focus on the Kyoto Protocol to the United Nations Framework Convention on Climate Change, negotiations for which were completed December 11, 1997, committing the industrialized nations to specified, legally binding targets for emissions of six "greenhouse gasses." The United States has agreed to a target of reducing greenhouse gasses by 7% below 1990 levels during a "commitment period" between the years 2008 and 2012. Specifically, we would like you to testify on the economic impact the Kyoto Protocol will have on the small business community across the nation.

At the hearing, witnesses will be asked to summarize their written testimony in oral presentations of approximately 5 minutes. Questions from Committee Members will follow after the testimony of each panel of witnesses for this hearing.

I would appreciate it if you would provide the Committee 100 copies of your testimony 48 hours in advance of your participation. In addition, the Committee will need a copy of your written testimony on a 3.5" computer disk in Word 7.0 or a similar format. Please deliver your testimony to the Committee office, Room 2361 of the Rayburn House Office Building.

May 22, 1998
Page 2

Again, I appreciate your participation in this important hearing. We look forward to your testimony and to your giving the Members an opportunity to meet you and discuss matters of vital interest to this country and especially to small businesses.

Should you have any questions regarding this invitation or hearing, please contact Peter Brechtel or Paul Denham of the Committee staff at (202) 225-5821.

Sincerely,

Jim Talent

James M. Talent
Chairman

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

MAIL AND MESSENGER SIGN-IN SHEET

(Please Print)

Date: 5/14/98 Page Number: ________

YOUR NAME	YOUR ROOM NO.	YOUR PHONE NO.	ADDRESSEE ADDRESSED TO	ADDRESSEE AGENCY	ARRIVAL TIME	REMARKS
C. George	379	6-9231	PHILIP DUSAULT 10002	OMB	9:20	
T. Starks	379	69425	LAVARNE BURTON	HHS	9:25	
Jonathan Becker	128	67141	Eldie Acheson	Justice	10:00	
Bill Marshall	128	66219	Hon. Thomas C. Sawyer	Longworth	10:00	
Joe D'Ercole	5					
Sandy Daigle	314	55042	Larisa Dobriansky	Rayburn	1125	
Carrie Street	94	65487	Dawn McDonald	Commerce	12:25	
Ruth Fisher	423	6-6031	Agnes Savoy	DOE	12:40	
Marjorie Hankins	6	6-5483	Juanita Whitaker			
~~[illegible]~~						
Philip Weintraub	60	65927	Eugene B	EW	2:15	
P. Droege	80	62916	Debi Schiff	State	2:20	
BOB HOUSER	60	65901	ED HUGHES/COUNSEL'S OFFICE	WW	2:45	
Sandy Daigle	314	55042	Elizabeth Mundinger	Hill	2:52	
Sandy Toomey	443	66072	Senate Russell Rm 254/Virginia Pounds	Senate	3:05	
M. Sullivan	536	62988	Federal Register		3:30	
"	"	"	GPO/EPD		"	
RICHARD SOCARIDES	116		CHERYL MILLS	OPL		
Tanya Miller	136	66229	Sandra Bitter	OGE	4:15	
"	"	"	James Thessin	State	"	

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION
COURIER MAIL SERVICE - EXTERNAL MAIL LOG

Date: 05/14/98 **Route No.:** CAPITOL **Courier:** RAMSEY **Departure Time:** 01:00PM

ORIGIN	ADDRESSEE		RECEIPT		
SENDER	**DEPARTMENT**	**ADDRESSED TO**	**RECEIVED BY**	**TIME**	**REMARKS**
OMB	HOUSE POSTMASTER	BOB ALLOWAY	Annex II		
WH	LONGWORTH 1414	THOMAS C. SAWYER	Livingston		
CEA	RAYBURN B-377	LARISA DOBRIANS MUST 1ST STOP	[illegible]	2:10	
WH	SENAT POSTMASTER	02-ENVELOPES	[illegible]		

Remark Codes: (1) Addressee Unknown (2) Left at mail room (3) Person not listed with locator (4) Delivered by contract courier (5) Office Closed (6) Comments

del between
3:30 & 6pm

EXECUTIVE OFFICE OF THE PRESIDENT
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COURIER MAIL SERVICE - EXTERNAL MAIL LOG

Date: 05/14/98 **Route No.:** SOUTHWEST **Courier:** BRISCOE **Departure Time:** 03:30PM

ORIGIN	ADDRESSEE		RECEIPT		
SENDER	DEPARTMENT	ADDRESSED TO	RECEIVED BY	TIME	REMARKS
WH	HOUSE POSTMASTER	02-ENVELOPES	Post Office		
WH	RAYBURN B-350-A	ELIZABETH MUNDINGER	E. Mundinger		
OMB	TRANS 8122	MITCHELL LAX	R. [illegible]		

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION

MAIL AND MESSENGER SIGN-IN SHEET

(Please Print)

Date: MAY 15, 1998

Page Number: ______

YOUR NAME	YOUR ROOM NO.	YOUR PHONE NO.	ADDRESSEE: ADDRESSED TO	ADDRESSEE: AGENCY	ARRIVAL TIME	REMARKS
Sandy Daigle	314	55042	Andrew Wilder	Hill	8:50	testimony
Brian Henry	128	66297	Ora Theard	2nd WW	9:40	
David Belsky	58	65922	Eleanore Bisulco	CW	9:45	
Brian Henry	Rm 128	66297	Charles Ruff	2nd FL WW	10:20	
~~Betty Currie~~ Trudy Paddock	58	65490	Betty Currie	WW	10:30	
M J Sullivan	536	62988	Federal Register		11:00	
Mary M. Ohrenberg	269	66488	Wineman / Sen. Disbursing	SEN.	11:05	
~~S. Williams~~	"	"	Trimble / Disbursing	SEN	11:05	
S. Williams	5	62226	800 North Capitol St. 700	Archives	12:51 pm	
Suzanne M Moreno	140	66261	Jake Campbell	IRS	1:30 pm	
"	"	"	Darius Maus 505 Van Buren		2:30 pm	
Ted D'Ercole	5	62226	800 North Capitol St. 700	Archives		
Tanya [illegible]	[illegible]	66229	[illegible]	[illegible]		
Suzanne M Moreno	140	66261	Jake Campbell	IRS	3:28	
Scott Michaud	96	65494	Barb Hambrick	State		
Barbara Kyle	390	62232	Anthony Harrington	PFIAB	3:33	
Tanya Miller	[illegible]	66229	Kelly Alvaro	[illegible]		
Andrew Goldenbaum	457	67133	Ann McCoy	2FL/EW	4:50	
" "	457	67133	Pam Cicetti	2FL/WW	4:50	
" "	457	67133	Capricia Marshall	2FL/EW	4:50	

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF ADMINISTRATION
COURIER MAIL SERVICE - EXTERNAL MAIL LOG

Date: 05/15/98 Route No.: CAPITOL Courier: RAMSEY Departure Time: 09:30AM

ORIGIN	ADDRESSEE		RECEIPT		
SENDER	DEPARTMENT	ADDRESSED TO	RECEIVED BY	TIME	REMARKS
OEQ	CAPITOL H143	ATTN: DENA	[illegible]		
WH	RAYBURN B-377	ANDREW WILDER MUST BOX	[illegible]	10:45	
ONDCP	RUSSELL 364	RICHARD DURBIN/CHRIS STANEK	[illegible]		

Remark Codes: (1) Addressee Unknown (2) Left at mail room (3) Person not listed with locator (4) Delivered by contract courier (5) Office Closed (6) Comments

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

June 16, 1998

Dear Ms. Dobriansky:

Enclosed are responses to questions 8--14 of Section B of the March 13 letter from Chairman McIntosh to CEA Chair Janet Yellen.

In accordance with your request, I am also enclosing certain documents that CEA submitted to Commerce Subcommittee Chairman Schaefer in response to his March 4 request. As an accommodation to meet the Commerce Committee's legitimate oversight needs, we had previously made those documents available for review by Committee staff, and had offered to make them available again. Commerce Committee staff expressed concern that these documents reflected sophisticated and detailed economic analysis, and they argued that they needed physical possession of the materials to analyze them properly. For this reason, and to further accommodate their oversight efforts, we provided copies of documents 1--12, 14--15, and 17--22. The Commerce Committee staff had indicated that they did not need copies of documents 13 and 16.

To similarly accommodate the Staff of the House Government Reform and Oversight Committee, we are providing you with copies of the documents provided to the Commerce Committee. Given the deliberative nature of these materials and their international import, we expect they will be treated as confidential.

Sincerely,

Michele Jolin

Michele Jolin

Ms. Larisa Dobriansky
Senior Counsel
Subcommittee on National Economic Growth,
Natural Resources and Regulatory Affairs
Committee on Government Reform and Oversight
U.S. House of Representatives
Room 2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Enclosures

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

June 17, 1998

TO: Alys Campaigne

FROM: Michele Jolin

Per our conversation, attached is a duplicate set of materials sent to Larisa Dobriansky, of the Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

June 16, 1998

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Sincerely,

Michele Jolin

Michele Jolin

Ms. Larisa Dobriansky
Senior Counsel
Subcommittee on National Economic Growth,
Natural Resources and Regulatory Affairs
Committee on Government Reform and Oversight
U.S. House of Representatives
Room 2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Enclosures

enclosure

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

June 17, 1998

TO: Alys Campaigne

FROM: Michele Jolin

Per our conversation, attached is a duplicate set of materials sent to Larisa Dobriansky, of the Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs.

Sandy Daigle

EXECUTIVE OFFICE THE PRESIDENT
OFFICE OF ADMINISTRATION
COURIER MAIL SERVICE - EXTERNAL MAIL LOG

Date: 06/17/98 Route No.: CAPITOL Courier: RAMSEY Departure Time: 01:00PM

ORIGIN	ADDRESSEE		RECEIPT		
SENDER	DEPARTMENT	ADDRESSED TO	RECEIVED BY	TIME	REMARKS
WH	DIRKSEN 202	LISA ROTKOWSKI	Senate VP office		
CEA	RAYBURN 2157	LARISA DOBRIANSKY	Rayburn		

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

CHIEF OF STAFF

June 17, 1998

Dear Ms. Dobriansky:

Enclosed please find documents related to the Council of Economic Advisers' (CEA) economic analysis of various global climate change policies.

As you know, in an effort to respond to Chairman McIntosh's March 13 letter, the CEA is carefully reviewing all climate change materials to determine whether they are responsive to Chairman McIntosh's lengthy inquiry. Because this process is taking a substantial about of time and staff resources, we have enclosed a range of materials that have been used in our assessment of the impact of efforts to control greenhouse gas emissions. We have not determined whether all of these documents are specifically responsive to your request, although we believe that many of them are indeed responsive. In any event, we hope these materials will be useful in your oversight efforts.

We are continuing the review of CEA's climate change materials and will get additional documents to you as soon as possible in the context of our other obligations and staffing constraints.

Sincerely,

Michele Jolin

Michele Jolin

Ms. Larisa Dobriansky
Senior Counsel
Subcommittee on National Economic Growth,
Natural Resources and Regulatory Affairs
Committee on Government Reform and Oversight
U.S. House of Representatives
Room 2157, Rayburn House Office Building
Washington, D.C. 20515-6143

Enclosures

xerox box

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

June 18, 1998

TO: Philip Schiliro

FROM: Michele Jolin
Chief of Staff
(395-5084)

Enclosed is a duplicate set of materials sent to Larisa Dobriansky, of the Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs.

Enclosures

c\work\climate\support

Potential Support for Climate Change Testimony

Ev Ehrlich
ESC Company
Twelfth Floor
818 Connecticut Ave., NW
Washington, D.C. 20006
phone: (202) 347-3200 fax: (202) 347-4334

Robert Repetto *
Hagler-Bailly
P.O. Box Drawer O
Boulder, Colorado 80306-1906
phone: (303) 417-8226 fax: (303) 443-5684

*cc any correspondence to his office at:

Robert Repetto
Senior Fellow
World Resources Institute
1709 New York Avenue, N.W.
Washington, D.C. 20006
phone: (202) 662-3482 fax: (303) 638-0036

Alan Blinder
Department of Economics
Princeton University
Princeton, New Jersey 08544-1021
phone: (609) 258-3358 fax: (609) 258-5398

Joe Stiglitz
Sr. Vice President and Chief Economist
The World Bank, Room MC 4315
1818 H Street, N.W.
Washington, D.C. 20433
phone: (202) 473-3774 fax: (202) 522-1158

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Paul Krugman
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Cambridge, Massachusetts 02139-4307
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Steve DeCanio
Department of Economics
3019 North Hall
University of California, Santa Barbara
Santa Barbara, California 93106
phone: (805) 893-3130 fax: (805) 893-8830

Gene Sperling
Director, NEC
2nd Floor
West Wing

c|work|sandy|labels.gcc

Sally Katzen
Deputy Director, NEC
Room 231
OEOB

* are ~~not~~ invited to 4pm Mtg.

Bill Antholis
Room 227
OEOB

Katie McGinty, Chair
CEQ
Room 360
OEOB

Todd Stern, Assistant to the President
For Special Projects
Ground Floor
West Wing

David Sandalow, Associate Director
For Global Environment
CEQ
Room 361-A, OEOB

The Honorable Larry Summers
Under Secretary
Room 3326
Department of the Treasury

The Honorable David Wilcox
Room 3445
Main Treasury

Jon Gruber
Room 3454
Main Treasury

Stuart Eizenstat
State
Room 7256

Victoria Greenfield
State
Room 6828

Rafe Pomerance
Room 7831
State

Mark Mazur
Dept of Energy
Room 7A-175, Forrestal Building
1000 Independence Ave., SW

David Gardiner
EPA
Room 1013 West Tower
401 M Street SW

David Doniger
EPA
Room 939-B, West Tower
401 M Street SW

Dirk Forrister
WHCCTF
734 Jackson Place

cc:
JLY JAF
MJ
RL
AM
ZC
JA

Jim Rubin
WHCCTS
734 Jackson Place

Bob Tucillo
OMB
Room 8026
NEOB

Rob Weiner
Office of the General Counsel
Room 128
OEOB

Roger Ballentine
Room 102
East Wing
The White House

Rosina Bierbaum
OSTP
Room 443
OEOB

Ed Montgomery
Room S-2514
Labor Department
200 Constitution Ave., NW

Joseph Glauber
Dept. Of Agriculture
Room 112-A, Whitten Building
1400 Independence Ave., SW

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

June 10, 1998

To: See Distribution Below

From: Joe Aldy

Attached is the latest draft for your comments. You can reach me on 395-1455.

Attachment

Distribution:
Janet Yellen, Gene Sperling, Sally Katzen, Bill Antholis, Todd Stern, Katie McGinty, David Sandalow, Larry Summers, David Wilcox, Jon Gruber, Stuart Eizenstat, Victoria Greenfield, Rafe Pomerance, Mark Mazur, David Gardiner, David Doniger, Dirk Forriester, Jim Rubin, Bob Tuccillo, Rob Weiner, Roger Ballentine, Rosina Bierbaum, Ed Montgomery, Joe Glauber

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

June 10, 1998

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

May 28, 1998

To: See Distribution Below

From: Joe Aldy

Here's the latest version. Comments welcome. (395-1455).

Distribution:
Janet Yellen, Gene Sperling, Sally Katzen, Bill Antholis, Todd Stern, Katie McGinty, David Sandalow, Larry Summers, David Wilcox, Jon Gruber, Stuart Eizenstat, Victoria Greenfield, Rafe Pomerance, Mark Mazur, David Gardiner, David Doniger, Dirk Forrister, Jim Rubin, Bob Tuccillo, Rob Weiner

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

Date: 6/8

Please deliver to: Martha Wolford

FAX number of addressee: 5-2342

Telephone number of addressee: ________

From: Council of Economic Advisers

FAX number of sender: (202) 395-6958

Telephone number of sender: (202) 395-5084

Number of pages, including cover sheet: 2

Message:

TALKING POINTS
ECONOMIC IMPACT OF KYOTO PROTOCOL
June 8, 1998

* ***President Clinton is committed to addressing the problem of global climate change while maintaining a strong economy.***

* ***The Kyoto Protocol is a form of insurance against the threat of global climate change.*** It is difficult to put a price tag on the cost of doing nothing to address the problem of climate change. But researchers have nonetheless developed troubling cost estimates of not acting -- ranging in the tens of billions of dollars per year for the United States. And, these estimates do not even fully reflect the value of the insurance against the unknown risk of large-scale and potentially irreversible catastrophic events, such as a weakening of the Gulf Stream.

* ***Doing it smart: The Kyoto Protocol includes measures that reduce the costs of reducing greenhouse gas emissions.*** Effective international emissions permit trading, joint implementation by Annex I countries, the Clean Development Mechanism, and other aspects of the Kyoto Protocol will reduce the costs of emissions reductions. The Administration also supports federal electricity restructuring legislation that could achieve modest emissions reductions and will provide consumers with substantial savings on their energy bills.

The Kyoto Protocol includes many cost-saving provisions -- and economic analyses that ignore these provisions do not accurately reflect the economic impact of the Kyoto Protocol.

* ***The Administration believes that the costs of the Kyoto Protocol will be modest.*** With effective mechanisms for international emissions permit trading, joint implementation, and the Clean Development Mechanism, as well as meaningful developing country participation and flexible timetables, the Administration's overall assessment is that the economic cost to the United States will be modest.

Administration assessment is consistent with formal model results. Despite the limitations of any single model in assessing the economic impact of the Kyoto Protocol, economic model results are fully consistent with this conclusion. For example, estimates derived using the Second Generation Model (SGM) suggest that the resource costs of attaining the Kyoto targets for emission reductions might amount to just $7 to $12 billion per year in 2008 to 2012 -- or just 0.1 percent of projected GDP.

Administration assessment does not include climate and non-climate benefits, savings from electricity restructuring and several cost-mitigating factors. The Administration estimate of the economic impact excludes a range of climate and non-climate benefits, the likely savings from electricity restructuring and several cost-mitigating factors, such as carbon sinks and increases in energy efficiency from the President's $6.3 billion climate change initiative.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS
17TH & PENNSYLVANIA AVE., N.W.
WASHINGTON, DC 20502

THE OLD EXECUTIVE OFFICE BUILDING

****

TO: Roger Ballantine OFFICE: LA

FAX NUMBER: 456-6468 TEL NUMBER:

***

FROM: Zac Candelario

FAX NUMBER: (202) 395-6853 TEL NUMBER: -53114

ROOM: 328

NO. OF PAGES (inc cover)______ DATE: 5-15-98

SUBJECT: McIntosh Q and A's

MESSAGE:

Draft Answers to March 13 Questions To CEA from Representative McIntosh Chair of the House Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs

A. Budget Information and Performance Measures

1. Please provide a table with Fiscal Year (FY) 89-FY 99 historical budget authority for your agency for the various components of the President's "Climate Change Technology Initiative," including the previous "Climate Change Action Program/Plan" and any other new or previously authorized Research and Development (R&D) herein (except for the U.S. Global Change Research Program included in Question 3 below). For each component, please indicate each specific budget account, the specific legislative authority (including the specific statute, the section citation, and the language of the section) for the program, and a brief description of the program.

Response. The Council of Economic Advisers (CEA) has no historical budget authority for any component of the President's Climate Change Technology Initiative, the Climate Change Action Plan, or any other new or previously authorized R&D program.

2. In Section 2 ("Programmatic Details") of OMB's February 2, 1998 handout, "Climate Change Technology Initiative - 1999 Budget Briefing Materials," please provide the following information associated with each paragraph description in which your agency has been funded or is requesting funding: the associated funding in FY 97, FY 98, and FY 99. Also, for each paragraph, for the requested funding for FY99, please provide evidence of any accomplishments from the FY93-FY 97 funding, if any. Lastly, for each paragraph, and for each agency, please indicate any program performance measures for the requested funding and, for each such measure, please provide annual data for the 1990 base year and annual data for most recent three-year period for which data are available.

Response. The CEA has not been funded or requested funding for programs associated with the Climate Change Technology Initiative.

3. Please provide a table with FY89-FY99 historical budget authority for your agency for the various components of the "U.S. Global Change Research Program" which were or are devoted exclusively to climate change R&D. For each component, please indicate each specific budget account, the specific legislative authority (including the specific statute, the section citation, and the language of the section), and a brief description of the program.

- If funded in any of FY 93- FY97 please provide evidence of any accomplishments from these dollars. Also, for requested funding in FY99, please indicate any program performance measures for the requested funding, and, for each such measure, please provide data for the 1990 base year and annual data for the most recent three-year period for which data are available.

Response. The Council of Economic Advisers (CEA) has no authority for any component of the U.S. Global Change Research Program.

4. Please provide a table with FY89-FY99 historical budget authority for your agency for any other components of the Administration's climate change program (i.e., in addition to those included in answers to questions 1 and 2). For each component, please indicate each specific budget account, the specific legislative authority (including the specific statue, the section citation, and the language of the section), and a brief description of the program.

Response. The CEA has not had historical budget authority for any specific components of the Administration's climate change program. We do, however, devote normal staff time to participating in the Administration's climate change policy development process.

5. For the FY 99 request, please provide a table showing what part is funding to continue initiatives funded in FY 98 or prior years and what part is brand new activity. For each component, please indicate each specific budget account, the specific legislative authority (including the specific statue, the section citation, and the language of the section), and a brief description of the program. For each brand new activity, please indicate expected requested funding annually through FY03.

Response. The CEA did not make a climate change program-related FY99 request, has no prior and new initiatives, and anticipates none through FY03.

6. Please identify the full set of your agency-specific performance measures for the Administration's Climate Change proposal (besides those indicated in response to questions 2 and 3), including data for at least the 1990 base year, FY97, FY98, and FY99. Also, please identify how any of your agency-specific measures (including those in response to questions 2 and 3) relate to those for any other Federal agency. Lastly, please describe any interagency efforts to identify and relate the entire set of climate change performance measures, including which agencies are involved and the names of the agency representatives.

Response. The CEA has no agency-specific climate change performance measures, nor are we aware of specific interagency efforts to identify and relate such performance measures.

7. Please provide a table for FY 93- FY 97 identifying all assistance (including grants, cooperative agreements, and other transactions) and contract awards to non-profit and for-profit organizations for any climate change activity, including the date, amount of the award, name of the organization, purpose of the award, and a summary of any result(s) from the award. Please provide a copy of any final report from these awards.

Response. In an effort to be responsive, we are providing the following table. However, these were not assistance or contract awards, for climate change, or indeed for any particular project. These payments were made to reimburse the sponsoring organization for the salary and benefits of an employee, who was recruited by our government agency to perform the services of a Senior Economist at the Council of Economic Advisers (CEA) to work in the area of the environment and natural resources. As such, they would have worked on any climate change issues that occurred during their time of service in addition to a myriad of other environmental and natural resource issues.

Each year when we are recruiting for our Senior Economist positions, we seek the most highly qualified experts in their field. CEA fills its Senior Economist positions from a variety of sources. They may be hired directly as a CEA employee, a reimbursable detailee from another government agency, or from universities or certain non-profit organizations which fall under the Intergovernmental Personnel Act (IPA). The amounts listed below represent payments for Senior Economists who were hired under the terms of the IPA to work on environmental and natural resource issues.

If we had not utilized these resources, we would have filled this vacancy in the environment and natural resource area from one of the other sources identified above for each of the time periods listed.

Fiscal Year	Date	Amount	Organization	Purpose
1994	10/1/93	$104,800	Resources for the Future	Salary and Benefits
1994	9/26/94	2,000	Resources for the Future	Salary and Benefits
1995	9/26/94	102,830	Resources for the Future	Salary and Benefits
1996	9/26/95	47,029	Resources for the Future	Salary and Benefits
1997	1/1/97	60,571	University of Wyoming	Salary and Benefits

In addition, the following employee was hired as an intermittent consultant to work on environmental and natural resource issues, including climate change issues

1997	2/28/96	2,772	Michael A. Toman	Salary and Benefits

B. Economic, Policy and Legal Analyses

8. Since January 1993, has your agency participated in any interagency effort(s) relating to climate change in any of the following areas: (a) review of current legislation and/or the need for any new legislation; (b) review of current rules, and needed revisions to current rules, and/or any needed new rules; (c) production or review of any environmental data and/or analyses; (d) production or review of any cost-benefit data or analyses; and/or (e) production or review of any economic data and/or economic analysis? If so, please identify the interagency effort, its member agencies, its membership not only from your agency but also from other Federal agencies and/or any non-Federal parties, all drafts and analyses from the efforts(s) and any comments from your

agency on any drafts.

Response. The CEA has participated in numerous interagency processes related to climate change policy since January 1993. Most of these processes have been quite informal and have involved a variety of interested Federal agencies, including the Office of Science and Technology Policy (OSTP), the Council on Environmental Quality (CEQ), the National Economic Council (NEC), the Department of Treasury, the Environmental Protection Agency (EPA), the Department of Energy (DOE), the Department of State, the Department of Commerce (DOC), the U.S. Agency for International Development (USAID), the Department of Agriculture (USDA), and in some cases the Department of Transportation (DOT) and the Department of Defense (DOD). Many of the interagency discussions have been co-chaired by State and CEQ, who would be the best sources of information as to the composition of the interagency efforts and the particular staff involved.

Almost all CEA economists are employed in temporary positions most often lasting one year, but anywhere from a few months to two or three years. None of the CEA economists now working on climate change was employed by CEA before 1996 so except for the most recent activities we cannot know for sure exactly which interagency efforts were conducted and joined by CEA staff.

Current CEA staff who have contributed to interagency work on climate change include:

Chair:	Dr. Janet Yellen
Member:	Dr. Jeffrey Frankel
Staff:	Joe Aldy
	Michele Jolin
	Randall Lutter
	Adele Morris

Other former CEA Members and Staff who may have worked on climate change while at CEA include:
former Chair Dr. Joe Stiglitz
former Member Dr. Alicia Munnell
former Staff:
Howard Gruenspecht
Sally Kane
Alan Krupnick
Mark Mazur
Peter Orszag
Ray Prince
Jay Shogren
Ray Squitieri
Michael Toman
Thomas Rhoads
Cristian Santesteban

One notable, slightly more formalized, interagency effort to analyze climate change policy was the Interagency Analytical Team (IAT), which endeavored to evaluate alternative climate policies through a variety of modeling and other analytical exercises. CEA staff participated in the IAT effort.

Another process to which CEA contributed was the 1994 policy dialogue to recommend options for reducing greenhouse gas emissions from personal motor vehicles, an initiative known as "Car Talk." CEA provided analytical support to members of the Policy Dialogue Advisory Committee. The CEA has also been active on economic issues in which the Intergovernmental Panel on Climate Change (IPCC) and the National Science and Technology Council (NSTC) have been involved. While no current CEA staff serves as an author for IPCC publications, we understand that past staff have done so. Current CEA staff have also been involved in developing the Administration's electricity restructuring proposal. Randall Lutter has been our primary economist on that issue, although several of the staff listed above have taken part in the discussion. One component of the inter-agency discussions on electricity restructuring is the extent to which different policy options would reduce emissions of air pollutants, including greenhouse gas emissions.

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

9. Has your agency either prepared or reviewed any environmental, cost-benefit, and/or economic data and analyses relating to the White House Initiative on Global Climate Change? If so, please provide a copy of all data, analysis, and any comments by your agency.

Response: The CEA has analyzed the economic effects of the Kyoto Protocol and presented our results in Dr. Janet Yellen's March 5, 1998, testimony before the U.S. Senate Committee on Agriculture, Nutrition, and Forestry. [We also have prepared a supporting document available to the public, which explains in greater detail the analysis we undertook.] If the question is referring to the Climate Change Technology Initiative (CCTI) proposed by the President in for the FY 99 Budget, the CEA has relied on information from DOE, EPA, and others for assessments of those initiatives.

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

10. Did your agency comment on any of the draft testimony on climate change by Administration witnesses since the President's 1998 State-of-the-Union address? If so, please provide a copy of the draft testimony and any comments by your agency.

Response: CEA has reviewed and commented informally on numerous public statements by various officials regarding climate change policy. Formal written comments have been produced by this office only rarely, but we have more often informally made suggestions as to content or presentation.

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

11. Has your agency suggested any alternative policy options for climate change? If so, please provide a copy of all drafts and supporting analyses and any comments from other Federal agencies on your alternatives.

Response: The CEA has analyzed numerous alternative policy options for climate change and explored the advantages and disadvantages of various approaches. The CEA has made suggestions as to which policy options would lower the cost of emissions reductions, and many of our suggestions were included in the Kyoto Protocol. The Administration is also pursuing some policies, such as electricity restructuring and basic energy research, that we have advocated on economic grounds even independent of climate concerns.

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

12. Does your agency plan to revise any existing legislation or propose any new legislation relating to climate change (including legislation that will have the effect of reducing greenhouse gas emissions whether or not that is the intended purpose of regulatory action)? If so, please identify and describe all such initiatives, including a timetable for their development and submission to Congress. Also, provide any and all legal analyses regarding the applicability and availability of existing legislation to implement the Kyoto Protocol and any comments from other Federal agencies on the analyses.

Response: The CEA is not planning to revise or propose any new legislative initiatives. We have not prepared any legal analyses of the applicability and availability of existing legislation to implement the Kyoto Protocol and have not commented to other Federal agencies on any such analyses.

13. Does your agency plan to revise any existing rules or propose any new rules relating to climate change (including regulatory actions that will have the effect of reducing greenhouse gas emissions whether or not that is the intended purpose of regulatory action)? If so, please identify and describe all such initiatives, including any cost-benefit analyses, and a timetable for their

development and promulgation. Also, provide any and all analyses (prepared or considered) of the cumulative effect on the U.S. economy and/or energy system of all or any combination of regulations that were issued since 1992, that were proposed, and that are being developed that have or will have such effects.

Response: The CEA is not planning to revise or propose any new regulations relating to climate change. We have considered during its preparation and interagency review, the analysis of all Federal regulations prepared by the Office of Management and Budget last year in response to the Stevens Amendment, Section 645 of the Treasury, Postal Services and General Government Appropriations Act 1997 (P.L. 104-208). This analysis, dated September 30, 1997, is entitled "Report to Congress on the Costs and Benefits of Federal Regulations", and was forwarded to Congress last fall. We also have documents relating to various previously promulgated regulations that would have the effect of improving fuel economy.

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

14. Has your agency participated in discussions or reviewed any documents relating to international emissions trading, joint implementation, and/or the Clean Development Mechanism? If so, please provide a copy of all drafts and any comments provided by your agency.

Response: The CEA has taken interest in the discussions of the flexibility mechanisms in the Kyoto Protocol, and has reviewed and commented on numerous drafts related to international emissions trading, joint implementation and the clean development mechanism. We believe these sources of flexibility will reduce the cost to the U.S. of meeting the Kyoto targets.

[CEA is making available all documents, comments, data, and analyses that have been maintained in CEA files that involve climate change-related interagency work.]

C. Dr. Yellen's Testimony before the House Commerce Committee on March 4, 1998

15. Please provide any and all analyses that support the Administration's conclusion that impacts on the U.S. economy of complying with the terms of the Kyoto Protocol are likely to be "modest".

Response: Our testimony concluded that the net costs of our policies to reduce emissions are likely to be small, assuming those reductions are undertaken in an efficient manner and we are successful in securing meaningful developing country participation as well as effective international trading, and the Clean Development Mechanism in future negotiations. In the Technical Support Document the analyses supporting this conclusion are presented.

15. Continued. Also, explain fully how the Administration can make such a forecast responsibly when as Dr. Yellen stated, "it is not yet possible to provide a full authoritative analysis of the Kyoto Protocol." Among other things, Dr. Yellen noted that there is still "much that we do not know" because much has been left unresolved by this treaty (for example, implementation issues, the rules and procedures governing international emissions trading, joint implementation projects, and the Clean Development Mechanism, and future emissions reduction obligations). Moreover, Dr. Yellen asserted that to her knowledge, "no [economic] model --whether used inside the government or not --has yet been set up to analyze the implications of the Kyoto Protocol, since this agreement is only a few months old. ."

Response: Policy decisions and public statements often need to be made based on the best information available at the time, even though thorough economic analysis of the scholarly sort takes longer.

As previously stated in testimony, the Kyoto Protocol is a work in progress; it is incomplete. There remains uncertainty about the ultimate nature of international permit trading pursuant to the Kyoto Protocol, and the timing and nature of developing country participation. However, there should be no uncertainty about the Administration's firm commitment to achieve effective international permit trading, and meaningful participation by key developing countries. The Administration's conclusion, and the supporting but illustrative numerical estimates, are based on our policies to implement the Kyoto Protocol cost-effectively as well as on the Protocol itself.

16. Please provide any and all analyses that support the following estimates:

a. U.S. electricity restructuring "will offer approximately $20 billion in cost savings".

Response: The derivation of this estimate is explained in the Technical Support Document in the section entitled potential electricity restructuring cost-savings.

b. Emissions trading among the Annex I countries "can reduce the cost to the United States of achieving its targets for 2008-2012 emissions by about half."

Response: Please see the section on the effects of climate change policy on the U.S. in the Technical Support Document.

c. Emissions trading among a subset of Annex I countries (for example, the United States, Australia, Canada, New Zealand, and Russia) "can reduce costs by an estimated 60-70 percent."

Response: This statement is based on the section on the effects of climate change policy on the U.S. in the Technical Support Document.

Also, based on the estimates presented in Janet Yellen's testimony, please explain and fully document how more limited trading among this subset of countries would produce greater cost reductions than from either trading among all Annex I countries or trading with the full participation of Non-Annex I countries

Response: The market clearing price for greenhouse gas permits in an international trading system results from the supply and demand for internationally traded permits. If a country that is expected to be a seller decides not to sell, then the actual supply falls, and the permit price and associated costs increase. If a country that is expected to be a buyer decides not to buy, then demand falls, and the permit price and associated costs fall. In the case of trading under the Kyoto Protocol, both the U.S. and the European Union are projected by many economic models to be buyers. If the European Union decides not to participate in international trading, then the demand for permits on the international market would decline, and the permit price and costs would fall, thereby benefiting countries that continue to buy permits internationally.

d. The Clean Development Mechanism "might shave costs by roughly another 20 to 25 percent".

Response: The Clean Development Mechanism is included in the Kyoto Protocol, although the details about how it would work have still to be negotiated by the parties to the Protocol. The Administration's policy is that the details of the CDM should ensure that it becomes a cost-effective way to allow developed country firms to give financing and technical assistance for projects to lower emissions and to receive credit for the reductions. Our best professional judgment, based on discussions with a variety of informed analysts, is CDM could achieve 20 percent of the emissions reductions available under full global trading. The statement that costs would fall by roughly another 20 to 25 percent is based on the SGM results given this assumption, and is further explained in the Technical Support Document.

e. Overall costs "would reach roughly one-tenth of one percent of projected GDP in 2010" (resource costs of achieving Kyoto targets for emissions reductions were estimated to be $7 to $12 billion per year in 2008 to 2012).

Response: The forecasted changes in GDP were taken from the SGM model output. Please see the section on the effects of climate change policy on the U.S. in the attached Technical Support Document for a brief summary.

Also, please explain how it is possible that compliance with the Kyoto Protocol, which has been projected by independent economists to be the most expensive environmental undertaking ever, could cost less than compliance with the recently issued U.S. air quality rules for particulate matter and ozone (the final Regulatory Impact Analysis for those rules estimated costs of $46 billion).

Response: As mentioned in the testimony, independent economists have generally not estimated costs taking into account the specific attributes of the Kyoto agreement and the Administration's policy to implement it. In particular they have omitted the cost savings likely to result from international permit trading, from the Clean Development Mechanism, meaningful participation by key developing countries, trading across six categories of greenhouse gases, and the flexibility by including carbon sinks. This omission raises their cost estimates.

There is no particular reason why the costs of the Kyoto Protocol should have any particular relation to the costs of the recently promulgated air quality standards. Climate change policy might, for example, have the side-benefit of improving our terms of trade vis-a-vis oil-exporting countries. We believe that careful estimates of the costs of the Kyoto Protocol and the Administration's Implementation policy will be substantially less than $46 billion per year, and indeed close to the illustrative numbers we have presented earlier.

f. The assumption that the rate of improvement in energy efficiency (AEEI) will be 1.0 percent per year (which is greater than that assumed by the EIA).

Response: This number is only very slightly higher than the AEEI estimate of the Energy Information Agency. The increment can be viewed as a modest allowance for the effects of intensified research and development, technology dissemination, and cooperative government-business partnerships. We also note that Battelle's SGM model is typically run with a default value for the AEEI of 1.0.

In particular, please reconcile this assumption with the statement of the CEA in its 1998 Annual Report that "[u]ntil an emissions cap and trading system are in place, however, the economic incentive to use [technologies supported by the Administration's budget] may be low."

Response: No reconciliation is needed. The comment from the 1998 ERP implies simply that in the absence of a cap and trade system that would lower the price of using carbon-lean technologies relative to carbon-rich technologies, the incentives to adopt such carbon-lean technologies will be less than in a world with the target and trade system in place. Moreover, the AEEI represents the autonomous rate of technological improvement, i.e., the rate that would occur in the absence of price changes that the target and trade system might lead to, due merely to the greater availability of new technologies. Thus its value is a comment on the extent of one's technological optimism, and not about optimism of private parties to respond to price incentives.

Is the Administration assuming that such a system will be put into place in the short-run?

Response: No, the Administration's position on the timing of a target and trade system has not changed since last fall. The Administration then maintained that the system would be established with the benefit of 10 years of additional experience with similar market based mechanisms.

g. The estimated effect on energy prices will range from $14 to $23 per ton of carbon equivalent.

Please see the section of the Technical Support Document that describes the effects of climate change policy on the U.S.

h. "In energy-intensive sectors some employment reduction could occur, although given the very small predicted change in energy prices, impacts in most such sectors are apt to be minimal Furthermore, a large number of jobs will be created in other sectors -many of them high-tech jobs paying high wages."

Response Very standard economic analysis says that in the long run, total employment is determined by the size of the labor force, incentives to work, and the productivity of labor. Changes in prices -- such as result from developments in technology, trade, energy markets, or many other areas -- tend to have their effects on the composition of employment across sectors, more than on total employment.

As explained in testimony and in the Technical Support Document, the energy price changes expected to result from the Kyoto protocol and the Administration's implementation policies under the assumptions elsewhere identified, are likely to be modest. In particular, these price changes over the next decade are less than the average of year-to-year absolute price changes observed since 1960. Thus there is little reason to believe there will be large changes in employment even in the energy-intensive sectors. In the less energy-intensive sectors, there is no reason to expect any decline in employment at all. Most economic models would not predict changes in the overall level of employment resulting from such small energy price changes 10 years in the future.

The U.S. has a strong competitive advantage in a variety of high-tech sectors. Recent innovations in battery technology, and in fuel cells were announced by U.S. companies. These innovations, and future ones expected from U.S. companies, will be in demand world-wide. The growth in associated production is likely to lead to growth in high-wage jobs in this country.

I. As to each analysis, please indicate who prepared the analysis and provide records of comments from other federal agencies.

Response: All of the analysis for our testimony on climate change was prepared by CEA staff under the direction of the Members of the Council, with the collaboration of staff at several other government agencies. CEA staff who have worked on climate change

Joe Aldy
Zach Candelario
Daniel Chang
Keith Fuglie
Randall Lutter
Adele Morris

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the

President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

17. Please provide any and all analyses that support the Administration's estimate that benefits relating to traffic congestion, highway accidents, and air pollution unrelated to climate change "could offset approximately a quarter of the resource cost of the climate change policy."

Response This analysis is summarized in the section of the Technical Support Document describing ancillary benefits.

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

As to each analysis, please indicate who prepared the analysis and provide all records of comments from other federal agencies.

Response Randall Lutter on our staff, with the assistance of Treasury's Office of Economic Policy, and EPA's Office of Policy Planning and Evaluation prepared the analysis.

18a. In her testimony, Dr. Yellen stated that, in evaluating the "likely net economic impact of the Kyoto Protocol," the Administration has "drawn upon a broad array of analytical tools", and a "wide range of models of the energy sector and economy over the next 25 years" to assess the various possible costs and non-climate benefits of the Administration's emissions reduction policy. Please specify all of the models and analytical tools that the Administration has used and describe in detail their strengths and weaknesses.

Response: As explained in the testimony, the existence of modeling difficulties means that we should treat any model results with the caution that is warranted -- not that we should abandon rigorous economic analysis. We have employed a broad set of economic tools to analyze the policy options. Such tools include models of the energy sector and economy over the next 25 years, including but not limited to the results of the Stanford Energy Modeling Forum exercises, the IPCC's review of the economic and social dimensions of climate change, and the staff-level Interagency Analytical Team effort last year. Other tools include simple relevant statistics, "meta-analyses" of existing models (such as that undertaken by Robert Repetto and Duncan Austin of Resources for the Future), historical and sectoral examples, univariate and multivariate regression analysis, simulations, Hotelling-type theoretical models, CEA staff econometric forecasts of emissions in developing countries, stylized models of perfect competition and monopoly, basic economic reasoning and the various other sorts of theoretical and empirical tools of analysis that abound in the scholarly literature. Drawing on this broad array of analytical tools allowed an intelligent evaluation of the policy alternatives.

We have considered and evaluated the following specific large econometric and computable general equilibrium models of the economics of climate change mitigation: Second Generation Model, G-cubed, MERGE, and DICE. We have also been exposed to results from many other models, such as GREEN, DRI, Markal Macro, Megabare, EPPA, FUND, MiniCAM, CETA, RIVM, and CETM/MRT.

18b. According to the testimony, the Administration has relied particularly on the Second Generation Model of Battelle Laboratories for many of its estimates. However, the IAT report indicated that the SGM model "focusses on long-term transitions and measures the economy in 5 year intervals," so that it risks racing past short-term transition issues, such as GDP loss and impacts on specific industries.

Specify all of the Administration's estimates that were derived from this model.

Response The Administration used this model's estimates as one of several inputs in its calculations of likely permit prices and resource costs for the different trading scenarios. Refer to the methodology section in the Technical Support Document. Information of the marginal abatement cost curves of non carbon greenhouse gases was missing from the SGM output and added to reflect provisions in the Protocol. Numerical estimates of expenditure changes and ancillary benefits used estimates of likely permit prices or emissions reductions as inputs.

Also, indicate why many of the Administration's key estimates were derived from this model.

Response: Each model has strengths and weaknesses; each has questions to which it is better or worse suited to answer. Some, for example, model the energy sector in detail. Some allow for the fact that a coal-fired power plant cannot costlessly be converted to one that runs on natural gas. Some have enough policy detail to distinguish alternative ways of redistributing revenues that would result if emission permits were to be auctioned. Some are capable of showing short-term macroeconomic disequilibria. Some include a long-term "carbon cycle" model that can keep track of the accumulation of greenhouse gas concentrations in the atmosphere and their climatological effects. Some break down the rest of the world into regions and so can model international trade. No one model does everything, and therefore we must not rely blindly on the results of any one model or set of models. Professional judgement and economic intuition are also crucial.

The SGM model, unlike many economic models of climate change, has an explicit model of emissions reductions in other countries, and so is exceptionally well suited for estimating emissions permit prices given international trade in permits. In addition, it has modules reflecting several major developing countries and data on all other developing countries as a group. Thus it is well suited to address the effects of developing country participation on permit prices. Finally, the timely availability of sufficient information about a variety of SGM model runs made its use practical between the time the Kyoto protocol was developed in December 1997 and our first testimony in March 1998.

Finally, please identify the corresponding estimates derived from each model that the Administration has used in assessing the impacts of the Kyoto Protocol.

Response: The development of corresponding estimates is a complicated technical task that is beyond the abilities of our small staff to complete in timely manner. We expect that the Energy Modeling Forum will continue to produce comparisons of various climate change models' forecasts of the effects of the Kyoto Protocol. Although some of these models have not yet incorporated the 5 categories of non-CO2 gases directly into their models, these comparisons should provide a full comparison of the SGM predictions with those of other models.

19. What are the 1990 baseline, the Fiscal Year 1997, 1998 and 1999, data, and the annual outyear estimates until 2012 for the following outcome performance measures mentioned in Dr. Yellen's testimony: morbidity rates for some diseases, mortality rates for some causes, monetary damages from temperature increase, consequences from some catastrophes, traffic congestion, highway accidents, and air pollution unrelated to climate change.

> The Technical Support Document provides baseline data for traffic congestion, highway accidents, and air pollution unrelated to climate change. These data are for 2010, or for 1995, if more recent data do not exist, and no published 2010 forecasts were available. For these data we have no information of outcome performance measures for the Fiscal Years requested, or for year-by-year estimates through 2012.

20. Why does the Administration maintain that the U.S. acid rain program experience "clearly demonstrates how programs like international permit trading, joint implementation and the Clean Development Mechanism will lead firms to find cheaper ways of reducing emissions that can lead to unexpectedly low costs"?

> Emissions trading programs, by providing continuous economic incentives to reduce emissions further, generally lead costs to be much lower than would be the case under a variety of more prescriptive regulatory approaches.

Why does the Administration believe that it is appropriate to extrapolate from that experience to the global arena.

> The basic principle that there are gains from the ability to trade is of quite wide applicability. Indeed the textbook theory of gains from trade is perhaps most familiar and well-established at the international level. Economic incentives generally have similar effects in different countries and cultures: people everywhere are interested in higher incomes. International permit markets will lower compliance costs in all participating countries, because they provide financial incentives for sources to reduce emissions.

These incentives will have the effect of lowering the costs of emissions cuts relative to what would be the case without any trading of emissions permits.

Won't the effectiveness of the international system, joint implementation, and the Clean Development Mechanism depend on different factors, such as the rules and procedures governing these mechanisms, the extent of participation by other countries, including developing countries?

Yes. The importance of effective trading rules, and rules on joint implementation and the CDM is the reason the Administration is asking other parties to the Protocol that they support regulations that will lead to effective and successful trading, JI and CDM.

21a. In her testimony, Dr. Yellen stated that part of doing it smart (i.e., lowering the costs of reducing greenhouse gas emissions) under the Kyoto Protocol means "taking serious and responsible steps in the short-run to prepare us to meet our obligations in the longer-term." She indicated that these steps include a $6.3 billion program of tax cuts and R&D investments, industry-by-industry consultations to prepare emission reduction plans in key industrial sectors, and legislation to restructure the electrical industry. Under what authority is the Administration pursuing this unilateral executive branch course of action in furtherance of the treaty's emissions reductions targets and without Senate Ratification?

Response: The $6.3 billion in tax cuts and R&D investments is a proposal made to Congress as part of the annual Administration budget prepared under the authority of the _____. The industry-by-industry consultations do not require express legislative authority because they are discussing only voluntary emissions cuts that industries might make. The industries in question are sufficiently concerned about their roles in fostering climate change that they believe they should take voluntary measures.

21b. If the Administration is delaying the submission of the treaty to the Senate until it obtains meaningful participation by developing countries, doesn't that decision also require the Administration to delay any unilateral executive branch action to address global warming until that cooperation is forthcoming.

Response: The Administration is not embarking on unilateral Executive Branch action to implement the Kyoto Protocol without ratification. To the contrary, steps to ensure compliance with the Protocol's requirements will be undertaken only with the full advice and consent of the Senate. However, the Administration is pursuing a variety of policies that make good sense even independent of concerns about climate change and that have the additional desirable property of reducing greenhouse gas concentrations. Examples of such policies include the CCTI. These polices all reduce energy consumption, and thereby reduce dependence on foreign oil and emissions of air pollutants unrelated to climate change, policy goals that have enjoyed bipartisan support for many years. The fact that these policies reduce carbon emissions should also be a shared policy goal, because in 1992 the Rio Treaty adopted by the Bush Administration and ratified by the Senate required the U.S. to take unilateral voluntary steps to return its emissions levels to 1990 levels.

c. Given that the Kyoto Protocol seeks to address a global issue, isn't [it] harmful to U.S. interests to proceed without the full participation of developing countries.

Response: The President has said that he will not submit the treaty for Senate ratification without meaningful participation by developing countries. We do not believe that the other actions identified above are harmful to U.S. interests.

d. Besides being unconstitutional, isn't it also premature and harmful to U.S. interests to take such unilateral actions, without ratification, when the Administration has characterized the Protocol as a "work in progress" a Protocol that is not yet fully complete nor ready for the President's submission to the Senate?

Response: No. First, as explained above, these actions have independent policy merit apart from their implications for greenhouse gas emissions. The Administration is subject to a variety of pressures from other countries. One concern often expressed is wether the U.S. is serious about reducing emissions.

D. Cost/Benefit Analysis of the Kyoto Treaty

22a. Please provide any and all analyses that the Administration or any federal agency prepared (or had prepared) or is preparing (or is having prepared) of the costs and benefits of imposing on the U.S. the binding targets and timetables set forth in the Kyoto Protocol for reducing greenhouse gas emissions, taking into account the global implications of the way in which this agreement is structured.

Response: The Technical Support Document provides additional detailed information about the economic analysis of the Kyoto Protocol. A key area that we have not pursued in our analysis, however, is the climate benefits of the Protocol. These benefits are exceptionally difficult to quantify because climate change raises the risk of large-scale irreversible catastrophic events like displacement of ocean currents, and the release of methane from the warming of Arctic permafrost. In addition, the quantification of climate change benefits is quite dependent on the choice of discount rate, which for periods as long as a century is the subject of ongoing professional debate. More importantly, however, the Kyoto Protocol is just a first step in addressing climate change. Further steps will entail additional cuts in emissions in years beyond 2012, and uncertainty about the magnitude of these precludes meaningful analysis about the effects of the Kyoto agreement itself on climate.

Also please analyze and document the following:

22b. Whether the benefits of implementing this Protocol are justified by the costs.

Response: We have not quantified the benefits of this Protocol because it is only the first step towards controlling carbon concentrations in the atmosphere; emissions limits in years beyond 2012 have not been proposed or negotiated. In addition, estimating the value of these benefits in monetary terms is exceptionally difficult because of their complexity and uncertainty. There is also disagreement within the economics profession about how to account in benefit-cost analyses for the fact that climate change damages will occur in the relatively distant future.

Notwithstanding these analytic difficulties it is apparent that climate change if left unchecked will pose a substantial threat to climate on our only planet. Therefore we believe that the benefits of this Protocol justify its costs, given that these will be modest as a result of the flexibility provisions that are included in the Protocol and those that form an integral part of the Administration's implementation policies.

22c. Evaluate the effectiveness of this agreement by comparing the marginal abatement costs of the most plausible alternative scenarios for meeting the Kyoto targets, given the way in which this agreement is structured, with the marginal costs of other reasonable alternative compliance schemes.

Response: The Kyoto Protocol is a work in progress, so that the most plausible alternative scenarios for meeting the Kyoto targets are different from those based on a reading of the Protocol alone. The Administration has said that it will not submit the treaty for ratification without meaningful participation by key developing countries. Such participation, along with effective international trading of permits among Annex I countries would lower costs substantially. The effect of such participation, and of trading among Annex I countries is outlined in testimony, and described in detail in the results section of the Technical Support Document.

22d. With respect to each scenario that is analyzed, identify the assumptions used, explain any uncertainties concerning the assumptions, and examine the sensitivity of net effects to the different compliance strategies, using a range of plausible assumptions about future economic development and about fundamental climate processes.

Response: Please see the methodology section of the Technical Support Document.

22e. Evaluate the opportunity costs of pursuing the Administration's strategy for the abatement of greenhouse gas emissions under the terms of the treaty;

Response: As the Protocol is a work in progress its opportunity costs can not be evaluated without also considering the additional flexibility in its implementation that will be achieved as the result of continued U.S. efforts in ongoing diplomatic discussions. The opportunity costs of the Protocol and the Administration's policies to implement are extensively discussed in prior testimony by Dr. Janet Yellen, and in the Technical Support Document.

22f. Evaluate how the benefits and burdens of complying with this treaty would be distributed on the national and household levels, describing, among other things, the disparate regional and industrial impacts, and the effects on different income levels.

Response: We do not have estimates of the distribution of impacts across regions or industries, with the exception of some information on coal sector production, which is discussed briefly in the Technical Support Document.

23a. In evaluating alternative scenarios, please examine the following.

23b. Compare the economic and environmental effects of not including developing countries in the effort to reduce global emissions (with the potential for binding developed countries to even greater obligations, without limiting developing countries at all) against the effects of addressing greenhouse gas mitigation on a global scale by the international community.

Response: Climate change is a global problem, so policy approaches encompassing more countries will likely be both more effective and more cost-effective than approaches involving only a few countries. Including developing countries will lower costs and permit prices substantially because of the many low-cost abatement opportunities in these countries. Estimates from the Battelle Laboratory's Second Generation Model, which are in line with other models, suggest that developing country participation through the Clean Development Mechanism could lower costs by 20 to 25 percent, relative to scenarios in which permits are traded among all or a subset of Annex I countries. The model suggests that developing country participation through adopting emissions targets and participating in international permit markets could lower costs by nearly 60 percent.

23c. Compare the economic and environmental effects of complying with the timeframes set forth in the Kyoto Protocol with the effects of complying over longer time periods.

Response: We have conducted no analysis of the economic and environmental effects of complying with the Kyoto Protocol over periods longer than it specifies.

23d. Compare the impacts of reducing greenhouse gas emissions using international emissions trading, joint implementation, and the Clean Development Mechanism with the impacts of relying upon domestic emissions permit trading. In this regard evaluate alternative international trading scenarios: trading only among Annex I countries, trading that extends to a number of key developing countries, and trading in which all countries are fully participating.

Response: Please see the results section of the Technical Support Document.

24. With respect to any analysis provided, please identify and explain the basis for assumptions used regarding such factors as the rate of improvement in energy efficiency, the effectiveness of market incentives in increasing the market share of fuels that emit less carbon, and economic and demographic growth. Also, explain fully any assumptions on how emissions reductions will be achieved as, for example, through the early retirement of coal plants or nuclear plant life extensions.

Response: In developing the illustrative estimates using the SGM model we have used an autonomous energy efficiency index of 1.0, and baseline assumptions of the SGM model. Within this analysis, we have no particular information on the early retirement of coal plants or nuclear plant life extensions although information about the use of energy from these sectors is summarized in the Technical Support Document. Such use can change with differences in the intensity of use of existing capacity, as well as with retirement or life extensions of existing plants.

25. In considering the opportunity costs, evaluate the extent to which the Administration's climate change strategy will require the diversion of funds from savings and/or investments which would have provided other benefits, such as saving social security, or more funding for education, health care, etc.

Response: The resource costs that are described in Dr. Yellen's testimony reflect the opportunity cost as it is usually understood by economists. The apportionment of these costs to foregone spending, whether on apples and oranges or social security or education, is an unconventional analysis that we have not undertaken.

26. In assessing the impacts on the U.S. of complying with the Kyoto targets and timetables, please explain in detail the potential effects on the following indicators of economic performance: gross domestic product (GDP), per capita GDP, unemployment, income and real wages, trade competitiveness, and energy prices.

Response: The percentage changes in GDP (and per capita GDP) are outlined in prior testimony, and discussed in the results section of the Technical Support Document.

We believe that the employment effects of the Administration's policies to implement Kyoto will not have significant effects on aggregate employment. Over the next ten years, industry and workers will have ample time to adjust to the modest changes in energy prices that we anticipate under the conditions that we have outlined, and that in any event are small relative to the year-to-year changes in energy prices that have been observed since 1960.

We have not assessed the effect of Kyoto on income (except for GDP as a measure of income) and real wages.

Trade competitiveness, unlike the other listed indicators of economic performance, is not a measure that is easily quantified. The testimony, however, discusses the effects of Kyoto on U.S. trade competitiveness.

Percentage changes in energy prices are also discussed in prior testimony.

27. In assessing the benefits of complying with the Kyoto treaty, please evaluate fully the potential offsetting negative effects of exempting developing countries and of "carbon leakage".

Response: Exempting developing countries would amount to a hypothetical departure from the President's policy. The Kyoto Protocol establishes a Clean Development Mechanism whereby firms in Annex I countries such as the United States may undertake projects that reduce emissions in developing countries and receive credit for such reductions. CDM is likely to provide a broad range of cost savings to the U.S., and this conclusion is consistent with our interpretation of SGM model results that suggest that CDM would reduce resource costs by about 20 to 25 percent relative to scenarios in which there is permit trading either among all or a subset of Annex I countries.

28. President Clinton has suggested that the U.S. economy can continue to grow under this agreement. Please indicate at what rate the Administration expects that the economy will continue to grow during the next 10 to 20 years if the treaty is ratified and at what rate it is expected to grow if the treaty is not ratified.

Response: As shown in a figure on GDP in 2010 in the results section of the Technical Support Document, the effect on the GDP growth rate of the Kyoto Protocol and the Administration's implementation policies, given the assumptions that we have elsewhere described, is minimal relative to the anticipated growth in GDP between now and 2010. Under business as usual, the Second Generation Model projects U.S. GDP to grow 2.0859% annually between 1995 and 2010. With a permit price of $14/ton, SGM projects the annual growth rate to be 2.0851%, and under $23/ton, the annual growth rate is projected to be 2.0822%.

29. Have any of the cost-benefit analyses performed by the Administration or any agency been peer-reviewed?

Response: With the exception of the IAT report, and some of the studies by the National Labs, we are unaware of any peer-review of Administration estimates. It is not the policy of the CEA to submit its official analysis for peer review.

30. In connection with these cost-benefit analyses, fully explain how the baseline(s), against which costs and benefits were calculated, was determined.

Response: Please see the Technical Support Document.

31a. Please provide all records of written or oral comments from other agencies on each of the cost-benefit analyses that were performed.

Response: White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

31b. Please provide all records of comments submitted by federal agencies on Dr Yellen's draft testimony about the economics of Kyoto for the hearing before the House Commerce Committee on March 4, 1998.

Response: White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

32a. Given the significant economic costs projected by private sector studies, why did the Administration abandon a year and a half-long effort to develop cost estimates of the President's proposed policies to reduce greenhouse gas emissions?

Response: First, the significant costs projected by private sector studies do not derive from analyses of emissions reduction scenarios that include the whole range of flexible elements that comprise both the Kyoto Protocol and Administration policy. The Interagency Analytical Team work to which the question refers was a modeling effort that produced some useful lessons, but as we found from the peer reviewers' comments, it also suffered from some serious shortcomings. Thus, we are left with a set of parameters and relationships that influence estimates of the impacts. In our view, it is more productive to employ a broad set of economic tools to analyze policy options than to seek to develop a single definitive model.

32b. Please identify any and all private parties that are currently performing economic analyses of the Kyoto treaty or any aspect of it for the Administration. Describe their work and provide all products of their work in draft or final form.

Response: CEA has no list of parties doing economic analysis of the Kyoto Protocol or any aspect of it for the Administration. Several modelers have contracts or cooperative agreements with various agencies, but we have no contract or agreement with any of them to undertake specific analyses for us.

E. International Emissions Trading

33a. Even assuming that effective rules and procedures can be developed for an international emissions trading system and for joint implementation projects and that key developing countries agree to participate, isn't there a real risk that these mechanisms could effect an enormous transfer of wealth and jobs out of this country overseas, especially to the countries of the former Soviet Union, China, India, South Korea, Brazil, and Mexico (i.e. that this system would be essentially a foreign aid program)? Some studies have estimated that more than 50% of our reductions would have to be purchased from other countries.

Response: The Administration is committed to achieving as many cost-effective emissions reductions domestically as possible, and for example has proposed the Climate Change Technology Initiative to stimulate carbon-lean technology development and deployment. At the same time, our analysis does suggest that for the 2008-2012 time frame it makes sense for the U.S. to pursue low-cost emissions reductions abroad, as would happen with the full implementation of an international emissions trading program. The key point is that trading will be economically beneficial to U.S. firms. We expect the Annex B parties of the former Soviet Union and key developing countries will provide significant investment opportunities for U.S. firms to capture gains from emissions trading as those countries restructure and develop their economies. Developing countries will represent the greatest share of new energy, transportation, and building infrastructure investment worldwide in the coming decades, and U.S. firms can help provide clean technologies and financing that will build those economies and markets, help stave off disruptive climate effects, and allow U.S. firms to capitalize on their investments in environmentally superior products and processes.

Our analysis does not suggest that emissions trading will have a significant negative impact on U.S. employment. If anything, the lower costs associated with a comprehensive trading program will help protect American jobs.

33b. Please provide and document estimates of the percentage of U.S. emissions reductions that might have to be purchased from other countries to minimize the costs of reducing emissions and which countries likely would be the beneficiaries.

Response: Our analyses provide illustrative estimates of how emissions trading and other flexibility mechanisms can lower costs, but ascribing with precision the emissions reductions to any particular country is impossible. The trades and emissions reductions undertaken by U.S. firms will depend on a whole host of factors such as the costs (including transactions costs) of emissions reductions in participating countries, the extent to which emissions can be cost-effectively offset through sinks at home and abroad, the role of the six categories of gases, and the development and deployment of climate-friendly technology. Further, the "beneficiaries" of trading would include the United States, particularly U.S. firms, due to the greatly lowered costs of achieving our target.

White House Counsel has not yet made a determination concerning the document requests we have received. Our documents reflect internal deliberations of the Executive Office of the President with regard to ongoing policies of the Administration. Moreover the documents include material that could influence ongoing negotiations.

34a. What real incentive do developing countries have to participate in the international emissions trading system, which would require them to commit to mandatory reductions, when they can transfer emissions reductions credits in connection with joint implementation projects and obtain financing through the Clean Development Mechanism?

Response: Developing countries would experience significant gains from trading in emissions permits. The economic and environmental rationales for a target and trade approach by developing countries include:

- Greater economic benefits to developing countries: With targets at or only slightly below BAU, emissions reductions in developing countries would produce many billions of dollars through the international sale of emission reductions achieved at lower cost than the world price.

- Greater cost savings to the U.S.: Participation by developing countries in international permit markets would greatly lower the costs to the U.S. of meeting its Kyoto target (as CEA testimony showed). In particular, costs would be lower than with trading among only Annex I countries.

- Greater environmental benefits: Developing country targets that are even only slightly below business as usual would lower global emissions relative to a world with only Annex I targets. Further, reducing carbon dioxide emissions generates ancillary air quality benefits through lower particulate matter, sulfur dioxide, and nitrogen oxides emissions.

- Target and trade yields greater benefits than CDM: While the Clean Development Mechanism will likely result in cost savings to the U.S. relative to a world with only Annex I trading, a system including effective target and trade of developing countries' emissions would yield much greater cost savings to the U.S. and greater gains to developing countries than CDM. Trading countries can employ a wide variety of measures to reduce emissions, and need not rely exclusively on project-based reductions. Nor do they always need to establish a baseline against which projects generate reductions. Like other trading parties, developing countries that agree to target and trade would need to follow the rules and guidelines for trading, but are otherwise free to pursue emissions reductions and sequestration in any and all sectors in the way they see fit. The advantage of trading is that they can be compensated for those reductions in a way in which voluntary measures cannot be, and the opportunities are more comprehensive than with CDM alone. Further, target and trade could achieve environmental benefits not achievable by pursuing CDM, which only redistributes emissions geographically.

- The principle of full participation: Other rationales include the long-run benefits of including developing countries into global negotiations, for example, as recognized by the Byrd-Hagel resolution. By establishing participation now, further commitments might be feasible in future periods.