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815 Sixteenth Street, N.W.
Washington, D.C 20006
(202) 637-5000

JLY
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AM
JA
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March 30, 1998

Dr. Janet Yellen, Chair
Council of Economic Advisers
17th and Pennsylvania Avenue, NW
Room 314
Washington, DC 20502

Dear Dr. Yellen,

As you know from our early meetings on climate change, the AFL-CIO has been concerned for some time about how the Administration's plan to tackle this problem is developing. We have said in many fora that we support a program that will: (1) assure global environmental repair, by requiring firm commitments from every member of the world community; (2) provide no perverse incentives, but rather provide incentives and mechanisms that reduce pollution here and create higher global standards both environmentally and economically; and (3) explicitly protect against economic upheaval and loss to U.S. workers.

On first read, the plan you outlined in your testimony before the Commerce Committee on March 4 appears to address several important concerns. I want to thank you for being forthright in your presentation and for providing needed insight into the Administration's thinking on this difficult topic. We appreciate having additional information to consider, as well as a more clearly developed picture to react to.

On closer examination, we believe that there are problems with the analysis you presented. In short, your testimony constructs a rosy, low-cost scenario, based upon a series of optimistic — and frequently, poorly substantiated — assumptions about electricity deregulation, an international emissions permit trading regime linked to joint implementation agreements and Clean

Development Mechanisms, incorporation of carbon sinks and non-CO_2 gases in emissions reduction accounting, and investments in new carbon-reducing technologies. We believe that this is only one of many plausible scenarios, many of which would not produce outcomes as positive as those you predict.

Specifically, there are four principal areas where we believe your presentation either provides incomplete data and explanations — therefore requiring greater clarification — or, more problematical, misleads the public by understating the difficulties, uncertainties and potential costs associated with implementing the President's climate change program. These problem areas can be summarized as follows:

- *The presentation lacks sufficient data and information to support key economic conclusions.* For example, where are the numbers to back up your assertions about the financial and environmental gains from electricity deregulation, or how reliance on carbon "sinks" and reduction of non-CO_2 gases will make it much easier for the U.S. meet its carbon reduction caps?

- *It understates the difficulties in implementing an efficient, global carbon trading system.* Although there is much evidence that a global trading system may be an effective strategy for achieving desired global emissions reductions with the least economic disruption here and abroad, the substantial diplomatic, political, institutional, cultural and economic difficulties of implementing such a system are not addressed. This misleads the public as to the actual likelihood — or unlikelihood — of successfully instituting a carbon trading system without substantial costs to U.S. consumers and taxpayers.

- *While noted in your testimony, the inherent uncertainties in the available economic models used in your analysis — as well as those associated with international efforts to address climate change — are not reflected in your conclusions.* Given the large uncertainties in both the econometric models and the carbon trading scenario we find it misleading to state that the costs of our carbon reduction policies will probably be small. We hope that they will be, but there is also a significant likelihood that the costs will be substantially greater than those the Administration projects. In addition, you provide no evaluation of the sensitivities of key parameters with respect to different potential outcomes achieved by applying different climate change strategies.

- *You underestimate the probable transition costs to climate change compliance in the United States, giving the impression that this will be almost "a walk in the park."* Most importantly, even in the best case scenario, certain industrial sectors and geographic regions will be badly hurt. The Administration continues to ignore these likely impacts, and therefore pays insufficient attention to policies that would help to mitigate them.

I address each of these points in detail below.

1. Insufficient Data and Information.

We recognize the difficulties of presenting within the limited space of your testimony a comprehensive accounting of the data and analyses underlying your arguments. Nevertheless, in certain instances, you provide little or no explanation of the bases for your conclusions. We are being asked to take on faith numbers and inferences drawn from information sources and studies that, to the best of our knowledge, are not readily available to the public. The Administration needs to further clarify the sources of these data before we can fully consider its program.

In particular, we are baffled about how the President's plan for electricity restructuring will generate $20 billion in cost savings to consumers while simultaneously reducing greenhouse emissions. This is stated without explanations or even references to how we can learn more about the Administration's restructuring plan. We are very skeptical about any potential gains to consumers, and even more so about whether — or how — restructuring will lead to carbon reductions. Indeed, we are very concerned about the potential impacts restructuring will have on the livelihoods of many of our members. We need the Administration to reveal its proposal, with projected impacts on different fuels (coal, nuclear power, natural gas, and renewables), and how it ties economic efficiencies derived from deregulation of the electrical utility sector to the reduction of carbon emissions. (Does your reference to "appropriate market-based provisions" (p. 14), in fact, imply the need for new regulations to make this connection work?)

Second, you base much of your argument on the belief that it will be relatively easy to meet as much as 4-5 percent of our nation's emissions reduction goals by a combination of reducing the three long-lived halocarbons and related compounds (HFCs, PFCs, and SF_6) with very high global warming potential and using allowable means to employ "carbon sinks." Our own estimates suggest that this goal *may* be plausible, but not necessarily easy to achieve. Using the 1995 baseline for emissions of halocarbons and related compounds provided by the Energy Information Administration, completely reducing these gases from the atmosphere (highly unlikely) would, at most, set an upper bound of 2 percent out of a total greenhouse gas reduction goal of 7 percent below the 1990 U.S. emissions level (1618 million metric tons of carbon or carbon equivalent). Carbon "sinks" in your scenario would have to account for a minimum of 2-3 percent — and perhaps 4 percent — of the total reduction goal. This does not sound realistic to us, but we are open to further explanation.

Unfortunately, your presentation sheds little light on either the projected quantities or the means by which the Administration expects to cut the non-CO_2 gases or increase the use of carbon sinks. Indeed, you admit in your testimony (p. 16) that the "quantitative uncertainty" in estimating the impacts of carbon sinks are very large, particularly on an international level. You also note that your conclusions here are based upon "very preliminary estimates." For example, you state (p. 8) that an "initial analysis indicates that a strategy of reducing non-CO_2 greenhouse gas emissions by a greater percent than CO_2 emissions could lower prices by as much as 10 percent." But without more corroborative detail, this point seems highly speculative. The lack of data and the uncertainties in your own estimates therefore raises serious doubts about the validity of a fundamental assumption in your testimony, that the nation only needs to be concerned about reducing the three remaining greenhouse gas (CO_2, methane, NO_2) emissions by a total of 2-3 percent below the U.S. 1990 emissions baseline.

We also have concerns about the lack of specificity regarding the Administration's plans and goals in implementing programs like Joint Implementation, the Clean Development Mechanism (CDM) and an international emissions trading system (see below). While these mechanisms may very well prove to be the most cost-effective strategies for reducing greenhouse emissions, they remain a "black box" for us. How will they be implemented and calibrated with respect to the trading of emissions permits? How do you account for their impacts on emissions levels and costs in your carbon trading models? What assurances do we have that Joint Implementation and CDM will not create incentives for U.S. investments in modernizing offshore producers at the expense of U.S. jobs, as well as increased investment at home? Without far more elaboration about these mechanisms, it is difficult to accept your testimony as anything but a highly optimistic guess.

2. Carbon Trading Difficulties.
The Administration's climate change program hinges on the successful implementation of an international carbon emissions trading system. In principal, we do not have an argument with the notion of carbon trading. We are in full agreement that "climate change is a global problem requiring a global solution." We also appreciate that the President has agreed not to submit the Kyoto Protocol to the Senate without "meaningful participation" from key developing countries, assuming that "meaningful participation" includes agreement to participate fully in any international carbon trading system that is ultimately established, as well as specific emissions targets and goals. Finally, we are aware of the evidence that suggests carbon trading may be the most effective, flexible mechanism for meeting the Protocol's emission reduction goals, resulting in the least economic disruptions both here and around the world. Your models, and others that we are familiar with, all predict that carbon trading — *as long is it is implemented on a fully global basis* — would result in far less reduction in economic welfare than a system of rigid emissions regulations and controls.

Our primary concern is with obtaining greater certainty from the Administration as to how the carbon trading system (in conjunction with Joint Implementation and CDM) will be established, calibrated and enforced, to ensure the greatest impacts on carbon reduction with the least costs to U.S. taxpayers and workers. Your testimony glosses over the substantial difficulties of negotiating the necessary international agreements, especially with non-Annex I countries. Theoretically, such a system should be attractive to these nations, especially if we tie our agreements to appropriate incentives; it could mean substantial new sources of dollars for internal economic development. But there is far less certainty that we can make such a highly complex system work than suggested in your presentation, given the complicated international mechanisms that need to be defined, fleshed out and engaged in by the entire globe.

Moreover, you (and other proponents) base your optimistic assessments of the carbon trading system upon the much touted SO_2 emissions trading program within the United States. Other experts point out, however, that establishing, monitoring and enforcing appropriate emissions baselines on an international basis present far more formidable challenges than had to be faced by the geographically limited, domestic SO_2 trading program. From the perspective of emissions reduction and costs the SO_2 trading experience may appear encouraging, but it is still quite a leap to conclude that it "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." As you yourself indicate (p. 9), the costs savings from carbon trading may not be as large as in the SO_2 program, and may not always be accompanied by "cheaper control strategies."

First, the SO2 trading system was only applied to a very small universe of heavily-regulated entities: the carbon system would need to be administered internationally, requiring the implementation of far more complex and difficult to enforce trading mechanisms. Second, the government's original high cost estimates for SO_2 allowances were based on unrealistic assumptions (i.e., the arbitrary assumption that western sub-bituminous coals would not be allowed to move east of the Mississippi River): hence, the alleged large gains derived from the trading system above the government's initial expectations are overstated. Finally, SO_2 reductions were not achieved without significant transition costs in the form of closed facilities and lost jobs as utilities switched from Midwestern and Northern Appalachian coal to western sources of coal. These dislocations may be even larger in the carbon trading system. While lower-cost, lower sulfur coal alternatives existed within the United States there is no lower-cost, lower-carbon coal alternative either here or abroad.

There are also dangers in the more easy to implement aspects of the carbon trading system. In all probability, the lowest-hanging fruit in the system will involve permit trading between high-cost emissions producers in the U.S. and large greenhouse industrial emission producers in Russia and other Eastern bloc nations, perhaps within the so-called "umbrella." Reductions in the latter countries may be much less costly because of the very inefficient and carbon-intensive uses of energy in their economies today. U.S. producers will be able to buy their way out of reductions by purchasing cheap permits from Russian or other Eastern bloc energy users which are able to meet their goals by modernizing and actually increasing their energy use, albeit if more efficiently than before. Hence, the United States may be able to meet its emissions caps with very little reduction in actual greenhouse emissions. This is especially attractive if your assumptions about needing only to reduce CO_2 emissions by 2-3 percent prove correct.

Aside from our reservations concerning the last statement (expressed above), however, we may only be delaying the inevitable with this approach. The "umbrella" strategy may create a false impression of the actual extent greenhouse gases are reduced among the trading countries. There needs to be some consideration of how large a portion of the U.S. carbon reduction "budget" the emissions trading regime should allow to be allocated through such trading. Sooner or later real, substantial reductions in our emissions levels will be required if we are going to meet the climate change challenge. If this strategy buys us time to adopt more energy efficient technologies and minimize our economic and social costs, it may be worth pursuing. On the other hand, it means that we may be faced with descending a far steeper reduction curve (after 2012) to meet future emissions goals, which could result in substantially greater costs to our economy, than if we fail to prepare for the impacts of reductions now.

Secondly, adopting such a strategy, which appears to let us off the hook over the short-run, may undercut our long-term efforts to achieve buy-in from the developing countries outside of both the "umbrella" and Annex I, thereby undermining any serious effort to establish a fully global trading regime. Even putting aside the need for a global goal, it is unclear to us how the United States can take an easy way out on our own reductions, and then expect the developing world to follow the path that your testimony requires.

3. Uncertainties in the Models.
We are particularly disturbed that your conclusions do not reflect the large, inherent uncertainties in the models you draw upon in your statement. Even though you acknowledge the existence of uncertainties in the text, you appear to soft-peddle them in your assessments about the potential costs of emissions reductions. For example, you state that based on the SGM model, emissions prices are estimated to range from $14 to $23 per ton of carbon equivalent, translating into an increase in household energy prices between 2008-2012 of between 3 and 5 percent, and comparable increases in various fuel prices (oil, natural gas, gasoline, and electricity). The increase in energy prices would in turn raise the average household energy bill in ten years by between $70 and $100 per year, adding that " such predictions may not be observable because they would be small relative to typical energy price changes, and nearly fully offset by electricity price declines from Federal electricity deregulation."

These assertions are presented as if they are the most plausible outcomes, an impression that was reflected in newspaper articles about your testimony appearing *prior* to the Congressional hearing, that portrayed your conclusions as the "first official assessment" of the costs of the Kyoto agreement. But as you point out later, "other models will yield other answers and much work needs to be done by the modeling community to test the robustness of these results." Given the very large levels of uncertainty in the underlying assumptions, inputs and design of the models you use to draw upon, the best that can be said now is that, if certain favorable conditions are met, there is some possibility that the costs can be kept reasonably low. In fact, the probabilities are at least as high that the costs will be an order of magnitude or more greater than your projections.

I already noted a few of the major sources of uncertainty above: unsubstantiated assumptions about gains from electricity restructuring; the lack of information about the impacts of carbon sinks and reducing non-CO_2 gases; the difficulties of implementing a global carbon trading system. If any of your assumptions about these activities alone proves incorrect, the costs could be significantly larger. Indeed, the three areas (when, what, where) of "flexibility" that you portray as a strength in the Administration's approach, themselves are sources of great uncertainty, that do necessarily work in favor of reduced costs. Moreover, the models you refer to are very complex, highly aggregrated, general equilibrium models that are not designed to address many of the inherent uncertainties that derive from human economic and political behaviors at a far more disaggregated level (variations in geographical regions, industry sectors, historical situation, etc.).

Your statement also does not address the sensitivity of your models' results to the uncertainties in key parameters. For example, the MIT Joint Program on the Science and Policy of Global Change has attempted to explore the sensitivity of its Emissions Prediction and Policy Analysis (EPPA) model, which is similar to the models you refer to, to key inputs. The MIT model identifies three parameter assumptions that have the greatest influence on future emissions trajectories, each of which is subject to significant uncertainty. These include rates of population and labor productivity growth, the rate of non-price induced improvements in energy efficiency, and the relative costs of carbon-free electric backstop technologies (e.g., renewables). We would feel more comfortable with your statement if these sources of uncertainty were acknowledged and factored into your analysis. In short, when trying to understand the behavior of highly complex systems, models like those you relied upon in your testimony can be very useful for assessing the direction of change for key variables given different starting points and assumptions, but we draw conclusions about actual magnitudes at our peril.

4. Underestimated Transition Costs.

Perhaps our greatest concern is that the Administration's projected "low-cost" scenario leads to a conclusion that there will few if any adjustment costs for workers and communities. As already discussed, although you concede that this finding is predicated on whether "we achieve the conditions" described in your statement, there are very large uncertainties tied to this assumption. At the same time, without any qualification, you minimize the probable impacts on employment in energy-intensive sectors, based on your predictions of very small changes in energy prices, which, as we already noted, are inherently suspect.

By their nature, general equilibrium models tend to underestimate the costs of adjustment, and are especially ill-suited to generate meaningful insights about disaggregated costs at a regional or industry sector level. Even granting your contention about low aggregate welfare impacts (which we do not), we unfortunately do not have the luxury of ignoring profound impacts on particular industry sectors (or geographical regions), even if they are offset by gains elsewhere, or appear small compared to overall aggregate output. There are people who make their livings their livelihoods, have built their communities, and support their families based on today's technology. They mine coal, they run power plants, they drive large trucks. Our planning must take into account their concerns as well. A job that you may get is cool comfort to me if I have lost mine.

The employment effects of the proposed regime can be modeled at the sectoral and regional levels using a dynamic, econometric model like that of REMI, Inc. in Amherst, MA. This model can be used to evaluate various scenarios and should be useful to policy makers since it can help in estimating the sectors and regions most at risk of economic dislocation and job displacement. As we learned from defense downsizing and trade adjustment, macroeconomic assurances of robust aggregate job growth are not enough to deal with actual regional and sectoral dislocations. Such modeling efforts during the post-Cold War reductions in military expenditures and facilities proved quite reliable in predicting the most affected location and sectors. They also were helpful in predicting the magnitude of the impacts. We believe that the Administration should consider sponsoring similar large-scale studies to assess the sectoral impacts of climate change policy.

In any event, we can say with some certainty, that even in a best case scenario— a fully global carbon trading system is in place, and new energy-efficient and non-carbon electricity generation technologies are widely employed throughout the economy — certain sectors such as coal mining and coal transportation (railroads) will suffer serious dislocations. Following your scenario, the combination of electricity restructuring and carbon trading will lead to a major shift from coal to natural gas and renewables in utility (and industry) generation of electricity. The coal industry, and the regions which are heavily dependent on that industry, are already experiencing long-term economic decline. Pursuing an emissions reduction strategy in the United States will accelerate this trend. Given all the uncertainties we have talked about, the rate of acceleration might be slower or faster depending upon certain conditions, but the direction is clear.

Other industry sectors will be affected as well, though probably not as greatly as coal, and perhaps petroleum. The President's climate change technology initiative is an important step in promoting the development and diffusion of new energy-saving and non-carbon energy generating technologies. Unfortunately, the Administration has not provided us with any estimates of the expected returns on this investment in terms of improved efficiencies, economic growth and jobs. Your own models (e.g., the SGM, EMF) can at best only account for the impacts of technology improvements through proxy parameters such as the Autonomous Energy Efficiency Index or the Carbon-Free Electric Backstop Price (reflecting substitution effects through use of new non-carbon electricity generation technologies) used in the MIT EPPA model. We would be very interested in any accounting of the expected economic impacts of the President's technology initiative, particularly its affects on the outputs of key industry sectors.

At the very least, we anticipate that this initiative will generate some new industrial growth and job creating opportunities. There may also be significant changes in industrial processes and organization, particularly in the main energy-intensive industries, that will have impacts upon a wide range of job-related concerns of our members. The Energy Department's Industry of the Future program, which is slated for substantial funding increases in the President's budget, has already supported significant research and development, jointly with industry leaders, in energy-efficient technologies that could have profound effects on how these industries operate in the future.

We have already discussed with the White House our desire to participate in any future government-industry consultations not only concerning this program, but also to consider industry-specific energy reduction strategies. We have made ourselves available to work with the Administration and with industry to help identify the best means for reducing energy costs in each sector, and to assess any potential economic impacts (especially on jobs) from such measures. We believe that labor's active participation will help to mitigate any potential adverse job-related impacts from introducing new technologies, while ensuring more effective implementation of energy-reduction strategies within these industries.

Finally, while we appreciate the President's stated commitment to assist any workers adversely affected, your testimony works to minimize the serious need to identify specific adjustment mechanisms early, before the impacts are felt by our workers and in communities. For example, we would welcome an examination of how we can use potential money generated by auctioning off carbon permits (as opposed to simply giving them away), as suggested by the Economic Policy Institute, for establishing a climate change adjustment fund. We think this is one of several different transition mechanisms worth looking at, and we are anxious to discuss this further with you.

In conclusion, we have been pressing for some time to have an Administration economic analysis of the climate change situation. Unfortunately, we feel that we still do not have one. This is no time, and not the issue, for equivocating, the stakes are too high. Failing to address the problem could have catastrophic environmental consequences. Erring in judgement about the basic strategy could also have huge economic consequences if we must make big domestic adjustments in mid-stream in 10 or 15 years, and have not laid the foundation for those changes that protect the U.S. economy and U.S. worker's jobs.

This is not the time to assume an easy answer. Not economically, not politically, not socially, not ecologically. Your current analysis of proposals for solving this global problem leaves us skeptical, and leaves us deeply concerned that too little attention is being paid to the consequences of being wrong. We suggest erring on the side of precaution.

We agree, that inaction is not a prudent option. But action based too casually on a cascade of optimistic assumptions is unlikely to serve our mutual interests.

We look forward to more data, and to a healthy debate and dialogue with the administration as further plans are developed.

Sincerely,

David Smith
AFL-CIO, Director Public Policy

DS/jy

United Mine Workers of America

CECIL E. ROBERTS
INTERNATIONAL PRESIDENT

TELEPHONE
(202) 842-7220
FAX (202) 842-7307

UNITED MINE WORKERS' BUILDING
900 FIFTEENTH STREET, N. W.
Washington, D.C.
20005

March 16, 1998

Janet Yellen, Chair
Council of Economic Advisors
Old Executive Office Building
17th St. and Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Dr. Yellen:

I am writing in response to your recent testimony on the economic effects of climate change policies before the House Commerce Committee. As the president of a union that has participated in the climate change debate quite extensively, I was struck by the discrepancy between your testimony and numerous other studies (including the Administration's IAT analysis) that have concluded that climate policies are likely to involve significant costs. As you are no doubt aware, the UMWA is concerned that the Kyoto Protocol will result in lost jobs, lost economic activity and higher energy prices, but will accomplish virtually nothing in terms of stabilizing atmospheric concentrations of greenhouse gases. We have termed the proposed protocol "All Pain and No Gain" and have called for its rejection by the President and the Senate. Your testimony implies the reverse--that this is all gain and no pain.

I would be interested in receiving from you, in as much detail as possible, the analytical basis for your conclusions. For instance, we would very much appreciate the detailed results of all model runs on which your testimony relies, including any reports that analyze the underlying data. We are particularly interested in your analysis of the extent to which the U.S. could achieve its proposed targets through emissions trading and joint implementation, and at what cost. We note that many environmental organizations have called for limits on the amount of credits to be achieved from trading and JI. Your testimony appears to assume unfettered trading and JI. It is unclear from your testimony what prices are assumed for trading, particularly in the former Soviet Bloc states. While the U.S. appears not to be included in the European "bubble", it seems clear that the EU definitely wants to be included in the JUSCANZ "umbrella." If so, this would seem to put upward pressure on the price of available credits.

The UMWA is interested in learning as much as possible about the economic effects of the proposed protocol, because we believe that our members' jobs are at the greatest risk. I would appreciate your assistance in this matter, and look forward to your response.

Sincerely,

Cecil E. Roberts

Cecil E. Roberts

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

Date: 3/18/98

Please deliver to: Cathy Van Way

FAX number of addressee: 225-1919

Telephone number of addressee: 225-2927

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:

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

CHIEF OF STAFF

March 18, 1998

Dear Cathy:

In accordance with our discussion, I am writing to let you know that the Council of Economic Advisers (CEA) will not be submitting today materials responsive to Chairman Schaefer's March 4 request. As you know, Chairman Schaefer in his opening statement at the Subcommittee's March 4 hearing on the Kyoto Protocol and its Economic Implications asked CEA Chair Janet Yellen to provide a complete analysis of the conclusions presented in her testimony.

As we discussed, Dr. Yellen is out of the country this week and will be leading the US delegation to OECD meetings in Paris next week. CEA staff are currently working on the response to Chairman Schaefer's request. As I am sure you understand, because we are a small agency, these staff are also responsible for continuing their usual policy and analytic responsibilities, as well as responding to several other requests from Congress on climate change issues. They are making every effort, in the context of these other demands, to be responsive to Chairman Schafer. We will be in a better position to respond once Dr. Yellen returns.

If you have any questions, please let me know at (202) 395-5084.

Sincerely,

Michele Jolin

Michele Jolin

Ms. Cathy Van Way
Counsel
Subcommittee on Energy and Power
House Committee on Commerce
Washington, D.C. 20515-6115

Fax Cover Sheet

EPA

JLY
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Please Deliver to:
Adele Morris

Sent to Fax #: 395-6958

Company: CEA

From: SHARON SAILE

Fax #: 000-0000

Voice:

Pages: ~~2~~ 15

Message:

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

To All: Please review today as soon as you can - David Sandalow asked for us to submit these papers to him by COB Friday (today) for distribution to the Asssitant Secretaries. Please send me your comments, by 1:00pm. Thanks, sharon

How International Emissions Trading Would Work: Cover Note to New Zealand Paper

The purpose of this memorandum and the attached discussion papers is to provide an overview of the key issues associated with the development of a framework for international emissions trading. The attached paper, "Principles, Modalities, Rule and Guidelines for an International Trading Regime," was developed by New Zealand. This paper serves as a good starting point for discussing the basic trading issues. After providing a summary of this paper, this memorandum will discuss a number of issues where the current US position diverges from the New Zealand paper, additional outstanding issues beyond those discussed in the New Zealand paper, and the next steps for the development of a framework for international emissions trading.

Summary

NOTE: The New Zealand paper itself provides a summary on its cover page, and a good summary of the proposed trading rules in Appendix A on page 12. Our summary of the paper follows:

The New Zealand paper explains that any Annex B Party could participate in the international trading regime on a voluntary basis. Additionally, participating Parties may also elect to devolve the trading program to sub-national entities such as private companies. The tradeable commodity in the international trading regime would be a quantified unit denominated in 'tonnes of CO2 equivalent,' which is termed as Assigned Emission Units (AEUs) in this paper. Each Party would initially hold AEUs in an amount equal to the Party's 'assigned amount' under Annex B of the Kyoto Protocol. An AEU may be used for any of the six greenhouse gases, would have a unique serial number, and would be valid indefinitely.

Regarding the necessary infrastructure to facilitate international trading, the paper addresses the need for a registration agency which would be responsible for maintaining a 'trading register' for all registered holders of AEUs in the trading system. Each Party's 'assigned amount' of AEUs would be recorded in the trading registry by the start of each commitment period AEUs not used within the assigned commitment period would be banked for use in the next commitment period. The compliance and enforcement mechanism necessary to maintain the integrity of the Kyoto Protocol should be adequate to support the emissions trading provisions. However, it would be possible to develop additional standards that would establish a higher level of integrity for Parties and or sub-national entities that seek compliance through emissions trading. Compliance would be determined by verifying that a Party's actual emissions do not exceed its 'assigned amount' for a given commitment period adjusted for acquisitions and transfers of AEUs. Parties that do not hold enough AEU's to cover actual emissions would have to acquire additional AEUs or could have future AEUs automatically deducted (if agreed upon by COP4). Parties that devolve trading to sub-national entities would be responsible for developing domestic mechanisms for measuring and enforcing compliance within the domestic system.

Outstanding Issues

Although the New Zealand paper provides a good overview of the emissions trading issues, there are a number topics covered in the paper that either deserve a more detailed discussion beyond what is currently presented or represent issues that are still outstanding from a US position. One such topic is buyer/seller liability. This issue arises within an emissions trading regime when a selling party is unable to demonstrate compliance with the amount of AEU's that remain in the selling party's AEU account. Options for liability in these cases can be placed on the buyer, seller, or a combination of the two. The options have ramifications on how market activity would be affected by the placement of liability as well as how it may create incentives for the trading parties to achieve compliance. Although there is general agreement that the first order of responsibility lies with the seller, there may be specific circumstances where buyers might bear some additional responsibilities. This issue requires further discussion before further recommendations are provided.

The topic of a registration agency to record the international transfer of AEUs also requires further discussion. A number of options exist for how such a system could be designed ranging from the use of one central authority tracking all AEU transfers (both international and national transfers) to a decentralized system where a central authority tracks international transfers at the Party-level and individual Parties are responsible for tracking individual domestic and international transactions. These options also require further discussion before a recommendations are developed.

Next Steps

The Interagency working group for emissions trading will submit detailed comments to New Zealand on its non-paper. In addition, the group will continue to debate the outstanding issues in order to develop recommendations.

SUBJECT: Comments on New Zealand non-paper on GHG Emissions Trading

First, we'd like to thank all of our New Zealand colleagues for preparing such a useful document - we feel that the non-paper does an excellent job of laying out the rules, guidelines, and modalities for the international greenhouse gas emissions trading system. We have been using the non-paper to better educate our colleagues in the U.S. government about how emissions trading will work. We would like to provide the following comments, many of which are minor suggestions to provide further clarification:

Summary page (these comments will also be raised in the paper itself):

1. Institutional requirements: We would like to express using caution before deciding how much of the functions of the "registration agency" could be contracted to a private organization such as a stock exchange. In particular, the reconciliation of the accounts (the retirement of AEUs to cover emissions) is a compliance determination, and thus we should be cautious about how much of this inherently governmental function can be delegated to a private contractor.

2. Allocation and Creation of AEUs: While we don't disagree with your explanation of how CDM projects would create AEUs which can then be traded, it may be appropriate to delete this explanation from the non-paper for now. Some of the countries present at the umbrella group meeting thought we should try to defer any discussion of the linkage between CDM and emissions trading until developing countries have had more time to express their views about how the CDM should work.

3. How much can be traded: The non-paper should acknowledge that while we may develop a procedure which would allow AEUs to be banked forward "automatically", the procedure would have to be "requested" by the Party (see protocol language in Article 3.13).

4. Compliance: We believe that the non-paper should not return to the word "borrow", even though we believe the non-paper should describe the concept. We are concerned that borrowing has too negative a connotation, and that Parties would continue to object to the concept because of the terminology. We suggest using "emissions offset", which is a term that has been used in the US SO2 program to describe the idea that any emissions overage in one period would have to be recovered by deducting the same quantity of emissions from a subsequent period. Under the SO2 program, if a utility were to exceed its annual cap by x tons, then "x" must be deducted automatically from the subsequent year AND the utility must pay an automatic penalty of approximately $2,500 per ton (the price per ton goes up with inflation). If the paper were to describe the idea that additional tons should be deducted (i.e. x + %x) from the subsequent period, then you could use the term "emission offset with interest".

5. Page 2 of 13, Footnote 1: We believe it is possible for countries to decide to join Annex B of the Protocol without joining Annex I of the FCCC. The rest of the paper is fine because you have simplified it by referring only to Annex B Parties. Suggested addition after the first sentence: "In the future, developing country Parties who take on QELRO commitments may join Annex B"

6. Page 3 of 13, paragraph 9: While it is likely that we agree with your interpretation of "transparency", we note that several countries at our recent umbrella meeting may be interpreting the word differently. (Transparency, openness, competitiveness, and non-discrimination were all terms raised by various countries where there may not be agreement on the meaning of the terms). We believe that transparency should be defined as the public knowledge of emissions, of assigned amounts, and of AEU balances, based on the public reporting of this data by Parties and synthesis reports by the FCCC Secretariat. (We can point out that this information is tracked and published by the SO2 program, where emissions, balances, and even details about each transaction is posted on the Web). The purpose of this public data is so that each reported item may be verified by any interested individual.

7. Page 3 of 13, paragraph 10: Neither transparency nor "competitiveness", in our view, would require that all potential buyers get an equal crack at all possible trades. That is not a necessary condition for competitive markets. In other words, in our view, it is not necessary to require one market exchange mechanism as the only vehicle for conducting international emission trades. Instead, we think there will be enough buyers and sellers so that a market price will emerge, even though some buyers may pay a little bit more than average while others may pay a little bit less. The necessary condition for competition is that there is an opportunity to enter into additional transactions, so that if one transaction alone does not produce the right equilibrium price, then subsequent transactions will eventually result in price convergence. We also have some more ideas for paragraph 10:

   a. Sub-national entities, in addition to increasing liquidity, will also have better information about the marginal cost of abatement that they face, so their participation should help ensure that the "market price" of AEUs reflects the true emission reduction costs - they would buy AEUs if the market price is less than their own abatement costs, and if the market price were higher than their own abatement costs, then they could make a profit by undertaking deeper emission reductions and selling their excess AEUs. Since governments would likely to be making purchasing decisions based on economic models, it is likely that sub-national entities will make better decisions based on their own marginal abatement costs.

   b. On the other hand, it also might be appropriate to mention that the market would probably reap these benefits of the participation from the private sector, even if only a few of the larger Parties devolved their abatement and trading responsibilities to their sub-national entities; in other words, it wouldn't be necessary for every one of the 38 current

Annex B Parties to devolve their AEUs to the private sector in order to reap these benefits.

8. We thought that a new Section should be inserted between Sections 4 and 5, where the new section would be called "Preconditions for Trading". In our view, there should be some conditions with which Parties must remain in compliance in order to trade (countries should be assumed to be in compliance until proven otherwise; this way trading can start early even though some of the preconditions may not even be required until 2008): The preconditions we have in mind are:

a. Parties must establish and maintain an adequate national monitoring system as required under Article 5.1, which meets the IPCC measurement method guidelines and any additional guidelines specified by the first meeting of the Parties.

b. Parties must submit the emissions inventories and national communications as required by Article 7

c. Parties must meet any requirements established under Article 17, which in our view, would include a requirement to establish a national mechanism for the certification and verification of trades (basically, some adequate mechanism for tracking their assigned amounts)

In our view, Parties must meet these conditions in order to participate in emissions trading (buying or selling), and failure to meet these conditions would require suspension of this right to participate in trading. This thought could be laid out in this new section, or it could be elaborated in more detail under the compliance rules discussed in Section 11.1.

9. Page 4 of 13, paragraph 13: It might be worth adding that particular countries who create their own restrictions beyond the internationally agreed upon rules for trading may create restrictions which result in unfair competition. Parties which engage in unfair competitive practices may need to be excluded from the international trading system.

10. Page 4 of 13, paragraph 14: Add the thought to the first sentence: Some countries may not wish to participate in an international trading system, "or might choose to participate in the system but only at level of the government." It may also be interesting to note that if some Parties do choose to not to participate in the international trading system in order to undertake higher cost emission reduction opportunities domestically, then the cost faced by the remaining participants in the international trading system may be even lower.

11. Page 4 of 13, paragraph 15: We would expand the list of private individuals who could participate: we would specifically include environmental organizations and brokers on the list. We would also add a sentence, or perhaps a new paragraph, to explain that these private individuals could also include individuals or governments outside any Annex B

Party's jurisdiction. In other words, any developing country government or private individual should be allowed to open a general, international account for the purposes of holding AEUs.

12. Page 4 of 13, paragraph 17: As mentioned above in our comments on the summary, it might be a good idea to delete the references to how the CDM could create AEUs from the non-paper at this time. We don't disagree with your explanation of how it would work. Instead, we believe that the umbrella group had decided to be politically sensitive to the idea that the developing countries will wish to make their views known about how they think the CDM should work before we need to explain how it will link to the emissions trading system. Thus- additional text to delete can be found in paragraph 26, paragraph 30, paragraphs 36-38, paragraph 54, paragraph 60 rules g&h, paragraph 61a, and in the lower left box illustrating paragraph 62. (Of course, a word search may reveal some paragraph we've missed).

13. Page 4 of 13, following paragraph 17: Insert a new paragraph or two to explain how Joint Implementation in Article 6 might be used by some Annex B Parties within the emissions trading system. (Perhaps we can flesh this linkage out in more detail later). Suggestions:

    Joint implementation projects may be used to identify specific project-level "emission reduction units", which must nevertheless be treated as an Assigned Emission Unit when transferred from one Annex B Party to another - the (selling) Party hosting the project which generates the emission reduction credits must have an equivalent number of AEUs deducted from its national assigned amount and then that equivalent number of AEUs may be added to the assigned amount of the (purchasing) Party which invested in the project.

    Joint implementation may be thought of as a mechanism which can identify AEUs to be traded by firms in cases where the Parties have not devolved their AEUs in a domestic trading system. In other words, Parties which choose to implement a polices and measures approach would define a standard requirement for all of its firms to meet. For firms which finance projects which go beyond the standard requirement, the joint implementation mechanism can be used to identify the appropriate number of emission reduction units which are "additional" to what would have occurred under the standard. Then, this number of emission reduction units can be sold as AEUs to another Party.

14. Page 5 of 13, paragraph 22: Although we haven't figured out an exact amount, we do believe it may be appropriate for an AEU to represent a multiple number of tonnes of CO2-equivalent emissions (perhaps 1 AEU = 1,000 mmtce). We note that your language indicating "a fixed quantum" may indeed be appropriate, as we haven't determined an exact quantity, and conceptually it is easier for people to think 1 AEU=1 mmtce. The point is to retain this language as a place holder - serialization of the AEUs will have a resource cost associated with the number of units which need to be tracked.

A second point to make under this paragraph is that the protocol does postulate that a second commitment period will follow the first commitment period. As a result, it may be appropriate to note that AEUs will be valid "for the current commitment period and indefinitely thereafter" (i.e., AEUs from the second period cannot be used early, but AEUs will not expire).

A third point was raised previously in the summary - the "banking" procedures cannot be completely automatic - they need to define a mechanism to incorporate the "request" of the Party.

A fourth point under this paragraph is that serialization of the AEUs could be given a more detailed description. For example, the serialization could include identification of country of origin (the need for this identification is linked to the definition of the consequences of non-compliance - some consequences may require the information about the country of origin to be implemented). One advantage of serial numbers is that it makes the AEUs more concrete and identifiable, hopefully making it easier to prevent double counting (or at least makes it possible to determine if an AEU has been double counted). One disadvantage is that it does increase the cost and complexity of the tracking system.

15. Page 6 of 13, paragraph 25: while we agree that it may be cost-effective for the FCCC Secretariat to hire a registration agency, we have a couple of comments. First, we would suggest deleting the last sentence of the paragraph - even though it would be possible for a market exchange and the official registry of AEUs to take place at one organization, the official registry of AEUs is what we would call an "inherently governmental function" - even if this function is contracted out, it should be separated from the function the private sector can play in facilitating trades. The most inherently governmental aspect of the function played by the registration agency is the retirement of AEUs to cover emissions - this is essentially a compliance determination. Even more important than the recordation of the retirement is the review of the emissions data submitted by Parties in order to verify the accuracy of the amount of emissions for which an appropriate number of AEUs is to be retired. This emissions verification aspect is another important function of the registration agency, and leads to our second comment - which is that "stock exchanges" may not be the best choice to provide the emissions verification aspect of the registration service.

16. Page 6 of 13, paragraphs 25-32: in our view, it may be more appropriate for the paper to present more than one alternative for how the registration agency would function. There is concern here that Parties may not wish to implement one centralized international registration agency. A second alternative which could be presented would involve a more decentralized approach, involving up to 39 registration agencies (one for each Party that chooses to devolve its AEUs into private level accounts plus the one international system). The idea is that Parties may prefer to have their own domestic system for tracking the

devolved AEU accounts for its own domestic entities (and thus, purely domestic trades would be tracked only by the individual Party registration agency). In order to conduct an international trade, these systems would have to be designed to be compatibly linked. The international system could be designed to track the international accounts, although there would be several options for the international system: A) the international system might track only the aggregate accounts at the Party level at the end of each year on the basis of each party's annual reports - in this case, the recordation of the actual international transactions would be recorded during the year only by the two Parties which conducted any particular transaction, B) the international system might track only international transactions (thus domestic transactions would still be tracked only by the individual Party) - in this case, private individuals might have the option to either open accounts in the international system or to keep their accounts in Party level systems, and C) the international system might track all AEU transactions as envisioned by your centralized system, but the concept would be that the Party level systems would be the primary source of the data, and the international system would merely be linked to the Party level systems for convenience of having the data also tracked at the international level. However, the main point of compliance at the international level is the Party-level accounts must have enough AEUs to balance their emissions during the commitment period. Therefore, the international system need not track the accounts of sub-national-level entities in order to determine Party compliance with the Kyoto Protocol. Thus, the minimum required for an international tracking system might be the alternative described under option A. above, although this may put a lot of pressure on the individual Parties to develop adequate and compatible tracking systems.

17. Page 7 of 13, paragraph 31: We suggest deleting "At the beginning of the commitment period," and replacing with "As soon as possible following ratification of the protocol,". The point is that if the Parties can agree to the rules and develop the resources needed for tracking the assigned amounts, then the allocation of AEUs should be recorded in Party level accounts as soon before the beginning of the commitment period as possible. The same should hold true for subsequent commitment periods - the allocation should not be withheld until the beginning of the subsequent commitment period (even though these subsequent period AEUs could not be used for compliance with the current commitment period, Parties might wish to begin trading them "early"), but should be distributed to Party level accounts as soon as the "assigned amounts" are agreed upon. This will make it possible for official trades to be recorded as soon as possible.
In addition, add to the end of the second sentence 'if and when it desired, "as long as the government remained in compliance with the preconditions for emissions trading described in Section 4.5"

We also have a clarification that might or might not be necessary for the non-paper, but is worth mentioning following the potential confusion created by our SO2 presentation at the umbrella meeting. Under the US SO2 program, 100% of official allowance trades are tracked by the USEPA in its computer system. The USEPA records all official allowance transfers, and for these official transfers, each transaction tracks the buyer, the seller, and the quantity transferred (but not the price). However, the private sector, and consequently the EPA does track the prices as reported by the broker agencies (who can report the prices because they don't identify the specific buyers and sellers). Furthermore, we mentioned that the private sector can conduct "unofficial trades" outside the official books of the USEPA registration - it would be more proper to say that the private sector can conduct trades of "contracts", or trades of "virtual allowances" - the official allowances can only be traded in the official USEPA computer system. However, when private sector companies strike totally private deals outside the USEPA computer system, what they are trading is not the official allowances, but rather a right to the official allowances. Thus, the real allowances don't move until the private sector decides it is time to officially record the transfer. These type of "contract trades" or "virtual trades" might take place even before the official system is up and running.

18. page 7 of 13, paragraph 34: Following the sentence 'Reductions can be made from any source listed in Annex A of the Kyoto Protocol, "and thus national monitoring systems must be designed to track all six gases". Some Parties have proposed that emissions trading could be restricted to just a subset of the six gases, but in our view, it will be necessary at a minimum to have measurement of all six gases at the national level in order to determine compliance. It may be possible to decide to devolve AEUs to private sector sources only for some gases, based on the adequacy of source level monitoring for those gases within a particular Party, but at the national level, Parties must be able to account for all six gases.

19. page 8 of 13, section 9.3: we note with interest your idea that increases in carbon stock would allow creation of additional AEUs, while decreases in carbon stock would be counted as emissions which must be accounted for through the retirement of AEUs just like any other category of emissions. Without disagreeing with your approach, wouldn't it be possible to account for increases in carbon stock through a net accounting of the Party's emissions inventory?

20. page 9 of 13, paragraph 46: change automatic banking to include a procedure allowing banking to be conducted "at the request of the Party".

21. page 10 of 13, paragraph 50: while we agree that additional consequences relevant for compliance with the protocol itself will be determined under Article 18, we would suggest that this particular paragraph should be identified as a possible rule for the emissions trading system. This particular enforcement mechanism for denying or restricting the right to sell AEUs described in this paragraph, would be best described as a function of the emissions trading system (and would go into effect much sooner as a rule under the emissions trading system then any consequences which will be ultimately determined under Article 18.) We expect to provide further comments later about other possible consequences (we think the "seller/buyer liability issue may be oversimplified as a stark

choice, when in fact there can be underlying seller responsibility provisions which might be supplemented in particular circumstances with provisions which do specify certain restrictions which would apply to buyers. - see the attachment which describes a prospectively implemented buyer beware provision.

22. page 11 of 13, paragraph 55: Just a modest preference for the word "retired" instead of the word "extinguished", and change the "automatically banked".

23. page 11 of 13, paragraph 56: As suggested above, delete the word "borrow" and replace with "emission offset" or "emission offset with penalty". In addition, while we support the concept of a grace period, we believe that one month is too short for a 5-year budget period where the emissions inventory for the 5th year may take approximately 1 additional year to compile. Under the annual SO2 program, utilities are allowed 30 days following the end of the calendar year to submit their last quarterly report. Currently, the grace period for the SO2 program is the same 30 days, and we have found that some utilities have made mistakes in estimating their emissions. Thus, we are planning to extend the grace period another 15 days for our annual program where essentially 100% of the emissions reports are filed within the 30 day window. If it will take Parties 1 year following the end of the commitment period to submit their last emission inventory, then the grace period should probably be the 1 year + 2-3 months.

24. page 11 of 13, footnotes 6 and 7: both notes should be shortened considerably. Under footnote 6, after the first sentence, it might be appropriate to point out that each Party is responsible for measuring, reporting, and verifying its entire national emissions budget - it is the national monitoring system which provides the underlying "gold standard", and thus eliminates the need to verify individual transactions.

    Under footnote 7, in addition to changing the word "borrow" to "emissions offset", it might be best not to highlight that this mechanism is important for compliance with the protocol, because it might be difficult to essentially amend the protocol to add this new concept, yet it might be possible to justify using this concept as an "accounting rule" which is necessary to establish under the emissions trading provisions. Another idea is that this "emissions offset" could be the mechanism of last resort - it might be better to specify a rule that a Party which does not have enough AEUs to cover its emissions must first be required to purchase current "AEUs" from another Party, and would only have its subsequent "assigned amount" used if no other current AEUs were available.

25. Page 13 of 13: while most people found the spreadsheet extremely helpful, one suggestion was to think about whether the graphic could be turned into multiple graphics with just a couple of steps illustrated on each page, in order to enhance the clarity.

Attachment: Prospective Buyer Beware Provision (Yellow Flag System)

Starting Premise: A Party must first meet all preconditions for trading. If a Party meets all preconditions and chooses to sell its allowances to another Party, that sale will be automatically recognized internationally (unless a Yellow Flag has been raised prior to the sale), which assures the buying Party that it may be used to meet its commitment.

Conditions for allowances sold under a Yellow Flag: If a probable or actual violation of a condition of trading is identified by some internationally sanctioned secretariat or group of experts, i.e:

- o a precondition is subsequently violated, e.g. improper monitoring, measurement or verification techniques were used; the current government withdraws from the Treaty, etc.
- o a reporting deadline is missed
- o a report is incomplete, inaccurate or not reviewable
- o the Party does not surrender sufficient AEUs to match its prior year emissions, or does not surrender sufficient AEUs at the end of its commitment period.

Then the international entity overseeing the trading system publicly announces this fact, and informs all buyers of allowances from that country that the allowances are being sold "under a Yellow Flag."

After some period of time (and the completion of a specified review/appeal process), any of the above violations, if not rectified, would be sufficient to invalidate all allowances sold under a "Yellow Flag."

Note: this type of consequence would require AEUs to include information about the Party of origin in the serial number, in order to properly administer the consequences.

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Congress of the United States

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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

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BERNARD SANDERS, VERMONT
INDEPENDENT

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

Facsimile Cover Letter

To: THE HONORABLE GENE SPERLING

Total Number of Pages (including cover sheet) 6

Fax #: 456-2878

From:

_X_ **Chairman David M. McIntosh**

____ **Mildred J. Webber - Staff Director**
(Mildred.Webber@mail.house.gov)

____ **J. Keith Ausbrook - Senior Counsel**
(Keith.Ausbrook@mail.house.gov)

____ **Larisa Dobriansky - Senior Counsel**
(Larisa.Dobriansky@mail.house.gov)

____ **Jay Apperson - Special Counsel**
(Jay.Apperson@mail.house.gov)

____ **Andrew Wilder - Subcommittee Clerk**
(Andrew.Wilder@mail.house.gov)

____ **Steve Silbiger - Counsel**
(Steve.Silbiger@mail.house.gov)

____ **Sean Cunningham - Counsel**
(Sean.Cunningham@mail.house.gov)

____ **Karen Barnes- Professional Staff**
(Karen.Barnes @mail.house.gov)

____ **Barbara Kahlow -Professional Staff**
(Barbara.Kahlow@mail.house.gov)

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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

March 11, 1998

BY FACSIMILE

The Honorable Gene B. Sperling
Assistant to the President for Economic
Policy, National Economic Council
Washington, D.C. 20500

Dear Mr. Sperling:

The Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs is conducting oversight of the White House Initiative on Global Climate Change.

Pursuant to the Constitution and Rules X and XI of the United States House of Representatives, please provide the Subcommittee with detailed information in response to the attached questions regarding the budget, performance measures, legislation, regulations, and analyses for this initiative. Please restate each question before the corresponding answer.

Please contact Subcommittee Staff Director Mildred Webber at 225-4407 if you have any questions about this request. Please provide this information not later than 12 noon, March 31, 1998 to the Subcommittee in Room B-377 Rayburn.

Thank you in advance for your attention to this request.

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

Enclosure

Questions for Each Agency with Any Climate Change Funding

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.

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 in FY 99, please provide evidence of any accomplishments from the FY 93 - FY 97 funding, if any. Lastly, for each paragraph, 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.

3. Please provide a table with FY 89 - FY 99 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 for the program (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 - FY 97, please provide evidence of any accomplishments from these dollars. Also, for requested funding in FY 99, 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.

4. Please 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 (i.e., in addition to those included in answer to questions 1 and 2). For each component, please indicate each specific budget account, the specific legislative authority for the program (including the specific statute, the section citation, and the language of the section), and a brief description of the program.

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 for the program (including the specific statute, 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 FY 03.

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, FY 97, FY 98, and FY 99. 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.

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.

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, any 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 analyses? 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 effort(s), and any comments from your agency on any drafts.

9. Since January 1993, 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, analyses, and any comments by your agency.

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 (including, but not limited to, testimony by CEA Chair Janet Yellen on the Economics of the Kyoto Protocol before the House Commerce Committee)? If so, please provide a copy of the draft testimony and any comments by your agency.

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.

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 the legislation)? 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 and policy analyses regarding the applicability and availability of existing legislation to implement the Kyoto Protocol and any comments from other Federal agencies on the 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 the regulatory action)? If so, please identify and describe all such initiatives, including any cost-benefit analysis, and a timetable for their development and promulgation. Also, provide any and all analyses that were prepared or considered of the cumulative effects 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.

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 comment provided by your agency.

Definitions and Instructions for the Production of Records

1. When a request calls for the production of records, the Subcommittee requests all responsive records that are in the agency's possession, custody, or control through the date of the final submission of records to the Subcommittee, unless the request clearly states that the Subcommittee is only interested in records received during a particular time period.

2. Please sequentially number all records that you produce to the Subcommittee, and indicate the source of any record if the source is not accurately reflected on the record itself. Please submit all records on single-sided paper and submit an inventory of records produced if the volume is more than 100 pages.

3. To the extent practicable, please organize the records or documents in tabbed binders or folders that indicate which records are responsive to which requests for information.

4. For the purposes of this and related requests in the future, the "record" or "records" shall include any and all drafts, originals, and non-identical copies of any item whether written, typed, printed, electronically recorded, transcribed, punched, or taped, however produced or reproduced, and includes but is not limited to any writing, transcription, or recording, produced or stored in any fashion, including any and all computer entries, memoranda, notes, talking points, letters, journal entries, reports, studies, calendars, manuals, press releases, opinions, documents, analyses, messages, summaries, bulletins, e-mail messages (in hard copy and electronic forms), disks, the text of any alphanumeric messages or other electronic paging devices, briefing materials, cover sheets or routing cover sheets and any other machine readable material of any sort whether prepared by current or former officers and employees, agents, consultants or by any non-employee without limitation. "Record" or "records" shall also include redacted and unredacted versions of the same record.

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

March 6, 1998

MAR - 6

BY FACSIMILE

The Honorable Franklin D. Raines
Director
Office of Management and Budget
Washington, D. C. 20503

The Honorable Kathleen A. McGinty
Chair
Council on Environmental Quality
Washington, D. C. 20502

Dear Director Raines and Chair McGinty:

The Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs is conducting an inquiry concerning the economic, legal, and regulatory implications of the Administration's efforts to jump-start the process of reducing greenhouse gas emissions under the terms of the Kyoto Protocol.

Pursuant to the Constitution and Rules X and XI of the United States House of Representatives, please provide the Subcommittee with detailed information in response to the attached questions. In responding to this inquiry, please restate each question and subpart with each of your answers, and please follow the definitions and instructions concerning the production of records on the attached page.

Please provide your responses to the written questions and requests for production of records by March 20, 1998 to the Subcommittee's office in Room B-377 Rayburn. In addition, please contact Larisa Dobriansky, Senior Counsel, at (202) 225-4407 as soon as practicable to coordinate the timely production of the information to the Subcommittee.

5448

Thank you for your cooperation in this matter.

Sincerely,

David McIntosh

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

cc: The Honorable Dan Burton, Chairman
Committee on Government Reform and Oversight

The Honorable John Tierney, Ranking Member
Subcommittee on National Economic Growth,
Natural Resources, and Regulatory Affairs

The Honorable Henry Waxman, Ranking Member
Committee on Government Reform and Oversight

Questions on the Administration's Global Climate Change Policy Actions

IMPLEMENTATION WITHOUT RATIFICATION

"We have no intention through the back door or anything else, without Senate confirmation, of trying to impose or take any steps to impose what would be binding restrictions on our companies, on our industry, on our business, on our agriculture, on our comerce, or on our country, until and unless, the Senate of the United States says so."

Statement of the Honorable Stuart E. Eizenstat
Under Secretary of State for Economic, Business, and Agricultural Affairs
Before the U.S. Senate Committee on Foreign Relations
February 1998

"Whether there is an agreement in Kyoto or not, the United States is prepared, under President Clinton's leadership, to unilaterally take steps that we believe should be taken in order to deal with this problem."

Statement of Vice President Gore
December 1997

Unilateral Executive Actions on a Global Issue.

1. Given that the Kyoto Protocol seeks to address a <u>global</u> issue, isn't it harmful to U.S. interests to proceed without the full participation of developing countries?

2. Besides being unconstitutional, isn't it also premature and possibly counterproductive for the United States to take unilateral executive branch action, without ratification, when the Administration has characterized the Protocol as a "work in progress"?

A Budget Request without Justification or Ratification.

3. How can the Administration claim that its proposed Climate Change Technology Initiative (CCTI) is not intended to implement the Kyoto Protocol, when this initiative has been made an integral part of the President's Global Climate Change Initiative, and the initiative is specifically designed to alter market behavior in furtherance of the treaty's emissions reductions targets?

4a. In a hearing before the Senate Foreign Relations Committee on February 11, 1998, Under Secretary of State Eizenstat testified that the tax incentives and research funding that the President requested in his Fiscal Year (FY) 1999 Budget proposal are necessary to place the U.S. in a "position where we will be further down the road and won't have to make the kind of drastic reductions that otherwise might be called for." Please provide all of the economic data and analyses upon which the Administration relied for this determination. As to any analysis, please identify who prepared it and provide all records containing comments by other federal agencies on the drafts.

4b. Explain why the President decided to request $6.3 billion in his budget proposal instead of the $5 billion that he stated he would seek at the time that he announced his Climate Change Action Proposal on October 22, 1997. Was this decision affected by the fact that the Administration agreed at Kyoto to commit the U.S. to reducing greenhouse emissions by 7% below 1990 levels rather than stabilizing emissions at 1990 levels?

5a. Article 3.2 of the Kyoto Protocol states: "Each Party included in Annex I, by 2005, shall have made demonstrable progress in achieving its commitments under this Protocol." Please explain how the Administration is interpreting this provision of the treaty.

5b. Does the Administration believe that its Global Climate Change Initiative, including the CCTI, will enable the U.S. to make demonstrable progress in achieving its commitments under the Kyoto Protocol?

5c. Please provide and document the Administration's annual performance measures for its 5-year Climate Change Technology Initiative (CCTI). In this regard, provide the following: the 1990 U.S. emissions level, data on actual emissions reductions for Fiscal Year 1997, and then projected emissions reductions beginning with Fiscal Year 1997 and then for each year up to and including Fiscal Year 2003.

5d. Please specify the annual greenhouse gas emissions reductions that the Administration estimates will occur between FY 1999 and FY 2005 from implementing each element of its Global Climate Change Initiative.

6a. The Administration has maintained that the CCTI is a "no-regrets" proposal; that is, regardless of whether or not there is a real threat of global warming, this proposal is justified on its own merits as good energy and environmental policy. In view of this claim, please demonstrate the need for this initiative based on reasons other than facilitating greenhouse gas emissions reductions.

6b. In this regard, provide the environmental and economic data and analyses that support this request on its own merits.

6c. Can the Administration point to a significant market failure or demonstrate a compelling public need that necessitates $3.6 billion of new tax incentives and a 73 percent increase in funding to accelerate the development and diffusion of more energy efficient technology? According to OECD data, U. S. energy efficiency since 1980 has improved more than that of most industrialized countries.

6d. Please provide a detailed explanation of and produce all records indicating the alternative policy options that the Administration analyzed, including more broadly-based options, such as integrated pollution prevention, performance-based regulation, and multi-media regulation. In this regard, did the Administration evaluate whether existing regulation may be a significant barrier to improving energy efficiency and the environment?

6e. Please explain in detail and fully document the cost-effectiveness of the Administration's proposal when compared to other available options for improving energy efficiency and the environment.

6f. Please explain in detail and fully document the opportunity costs of committing such a significant amount of our nation's resources in this manner.

6g. As to any analysis provided, identify who prepared it and provide all records of comments by other federal agencies.

7. How realistic and achievable are the targets and timetables that the U.S. delegation agreed to at Kyoto, if it is necessary to take unilateral executive branch actions prior to Senate ratification in order "to get us in a position where we will be further down the road and won't have to make the kind of drastic reductions that otherwise might be called for"?

8. Under section 102 of the National Environmental Policy Act, the federal government is required to provide a detailed environmental impact statement (EIS) and to follow specified procedures for review and comment whenever it is recommending to Congress legislation that "affects the quality of the human environment". Please provide any EIS (or draft EIS, if not finalized) that was prepared in connection with the Administration's requests for tax incentives and research funding to facilitate greenhouse gas emission reductions. With respect to any EIS, identify who prepared the document and provide all records of written and oral comments from other federal agencies.

The Inescapable Regulatory Backdoor.

9. In its 1997 U. S. Climate Action Report under the current Framework Convention on Climate Change, the Administration made this statement: "Recognizing that even the most draconian measures would likely be insufficient to reverse the growth in greenhouse gases and return U.S. emissions to their 1990 levels by the year 2000, new U.S. efforts are focusing most intensively on the post-2000 period." Based on this assessment, how can the President assert that the U.S. commitments under the Kyoto Protocol are achievable with minimum economic costs? Provide any economic and legal analyses that demonstrate that U.S. obligations can be met without constraining U.S. economic growth and without imposing onerous and costly regulation. Also, please provide two copies of the 1997 U.S. Climate Action Report.

10a. In testimony before the Senate Foreign Relations Committee on February 11, 1998, Ambassador Eizenstat stated that the only legislation that would be required to enable the U.S. to abide by the Kyoto Protocol would be legislation authorizing emissions trading; otherwise, he indicated that the U.S. could rely on existing legislation. In this regard, please provide all legal and policy analyses performed by the State Department and other federal agencies on whether, and to what extent, new implementing legislation would be required to meet the U.S. commitments under the Kyoto treaty and provide all comments thereon by other agencies.

10b. Also, please provide any and all legal and policy analyses developed by the State Department or other federal agencies regarding the applicability and availability of existing legislation to implement the Protocol and all comments thereon by other agencies.

11. To the extent that analyses have been performed, describe any differences between the legislation and regulations that would have been needed to implement the President's October 1997 Climate Change Action Proposal and that which would be needed to implement the Kyoto Protocol.

12. Is there an agency or interagency group that is developing recommendations on the need for implementing legislation? If so, please identify the persons who have been charged with coordinating this effort and the names of the agency representatives who are participating.

13a. Please identify all environmental and energy regulations that are being developed, have been proposed, or have been issued since 1992 that have or will have the effect of reducing greenhouse gas emissions (whether or not that is the intended purpose of the particular regulation). As to those regulations that are being developed or that have been proposed, provide an estimated timetable for each stage of the rulemaking.

13b. Has OMB or any other federal agency prepared, contracted to have prepared, or considered any studies that: (1) Have calculated the potential cumulative costs of environmental and energy regulations that are presently planned or being developed, have been proposed, or already have been issued since 1992 that have or will have the effect of reducing greenhouse gas emissions (whether or not this is the intended purpose of the regulation); and (2) Have assessed the cumulative effects of these regulations, or any combination of them, on the U.S. energy system and economy? If so, please provide any such analyses and all federal agency comments on any drafts. If not, please indicate why this has not been done. This Subcommittee believes that this information is vitally needed and is requesting that such an analysis be performed.

13c. Please provide any analyses that have been performed or considered by the Administration concerning the potential combined effects on the U.S. economy and energy system of such Clean Air Act regulations, as the recently issued National Ambient Air Quality Standards for particulate matter and ozone, and regional haze proposal; the Administration's proposed measures for implementing the requirements of the Kyoto Protocol; and its planned legislative proposal for restructuring the electrical industry.

POLICIES WITHOUT ECONOMIC ANALYSIS

> "By providing incentives for early action to reduce emissions, attacking domestic energy inefficiencies, and putting in place a market-based emissions trading system, we can reach [our emission reduction targets] with minimum economic costs."

Statement of President Clinton
Climate Change Proposal
October 1997

The Administration's Repeated Failure to Conduct Economic Analysis.

14a. 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 emissions? In testimony before the House Subcommittee on Energy and Power on July 15, 1997, the Chair of the Council of Economic Advisers, Dr. Janet Yellen, stated that President Clinton's top priority since his first days in office "has been revitalizing the U.S. economy, creating jobs, and investing in people and technology to enhance long-term growth."

14b. How can the Administration defend its policy actions based on the results of climate models that must take into account significant uncertainties surrounding the effects of human activities on the climate, yet nevertheless consider economic modeling to be "futile" (Dr. Yellen's expression at the House Commerce hearing on July 15, 1997)?

15a. In testimony before the House Commerce Committee in 1997, former Under Secretary of State Timothy Wirth stated that an interagency "economics team" was formed to analyze the impacts of climate change policies.

15b. Please provide the following background information regarding that group: when it was formed, the names of the participants and their agencies, the head of the team, the scope of the group's responsibilities, and to whom the group reported.

15c. Please produce records of all meetings of this group and information on any workshops conducted. Also, produce all analyses performed by the group and provide all records of written or oral comments from other federal agencies on the team's analyses and advice.

16. In developing its positions for the Conference in Kyoto, did the Administration at any point renew its efforts to estimate the costs of various policies to reduce greenhouse gas emissions? If so, please provide all economic analyses that were prepared for the Administration and the U.S. delegation to review. As to each analysis, please indicate who prepared the analysis

and provide all records containing comments from other federal agencies. If not, please explain fully why not.

17. Is there currently in place an interagency body that is analyzing the economic impacts on the U.S. of the mandatory restrictions specified in the Kyoto Protocol and evaluating alternative domestic policies to achieve those requirements? If so, please provide the same type of information about this group, as well as produce the same type of documents, which were requested in question number 15 above with respect to the "economics team."

18. During its deliberations prior to Kyoto, did the Administration consider whether an agreement to stabilize emissions at 1990 levels or to reduce emissions below 1990 levels would result in <u>lower economic growth</u>? If so, how much lower economic growth did the Administration consider as acceptable in exchange for a treaty that would have at best only a marginal impact on reducing emissions? Please produce all records of such deliberations and all economic analyses and comments thereon (from federal agencies and private parties) that the Administration considered.

19. If the Administration did not prepare cost estimates of the impacts on the U.S. economy and the American people, how did the Administration determine its policy position first to stabilize emissions at 1990 levels by 2008-2012 and then later to deviate with confidence from that position and commit the U.S. to reducing emissions by 7 percent below 1990?

20. At what point prior to or during the negotiations, did the Administration decide that emissions reductions below the 1990 baseline were acceptable? Who in the Administration and in Congress were consulted in making this decision? Did the Administration examine any public or private analyses in reaching this decision? If so, identify and provide the analyses upon which the Administration relied, with all comments that were submitted by any federal agency.

21. If economic analyses were prepared internally to support positions that the Administration intended to take at the Conference, why weren't these analyses made available to Congress and the American public, who all have a right-to-know the potential economic consequences of the President's climate change policies?

22. Did the Administration review any private sector analyses completed prior to Kyoto? If so, please provide all records of comments thereon by federal agencies.

23. The Clinton Administration indicated its recognition of Senate Resolution 98 (the Byrd-Hagel Resolution). Please describe in detail and document the steps that the Administration already has taken and intends to take to assure compliance with each provision of that Resolution.

No Cost/Benefit Analysis of the Kyoto Treaty.

24a. Please provide any and all analyses that the Administration or any federal agency prepared (or is preparing) 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. Also, please analyze and document the following:

24b. Whether the benefits of implementing this Protocol are justified by the costs;

24c. 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;

24d. With respect to each scenario that is analyzed, identify the assumptions used, explain any uncertainties concerning the assumptions, and examine the sensitivity of net benefits to the different compliance strategies, using a range of plausible assumptions about future economic development and about fundamental climate processes;

24e. Evaluate the opportunity costs of pursuing the Administration's strategy for the abatement of greenhouse gas emissions under the terms of the treaty; and

24f. 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 sector impacts, and the effects on different income levels.

25a. In evaluating alternative scenarios, please examine the following:

25b. 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) against the effects of addressing greenhouse gas mitigation on a global scale by the international community.

25c. Compare the economic and environmental effects of complying within the timeframes set forth in the Kyoto Protocol with the effects of complying over a longer time period.

25d. Compare the impacts of reducing greenhouse 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 between Annex I countries, trading that extends to a number of "key" developing countries, and trading in which all countries are fully participating.

26. 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.

27. 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.

28. 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.

29. 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." Also, if the economies of developed countries experience reductions in economic growth, evaluate the impact that this will have on the ability of emerging countries with export markets to transition to more energy efficient technologies.

30. 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 ten to 20 years if the treaty is ratified and at what rate it is expected to grow if the treaty is not ratified.

31. Have any of the cost/benefit analyses performed by the Administration or any agency been peer-reviewed? If so, please identify the reviewers provide their comments on the analyses. If not, does the Administration plan to do so? Please describe fully the steps that the Administration plans to take.

32. Please describe in detail the strengths and weaknesses of the methodology of any economic models used. Also, indicate the differences between the models used in any of the cost/benefit analyses performed post-Kyoto and those used in any prior analyses performed by the Administration.

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

34a. Please provide all records of written or oral comments from other federal agencies on each of the cost/benefit analyses that were performed.

34b. Please provide all records of comments submitted by federal agencies on Dr. Janet Yellen's draft testimony about the economics of Kyoto for the hearing before the House Commerce Committee on March 4, 1998.

International Emissions Trading: Not a Panacea.

35. As a practical matter, until the Conference of the Parties makes all of the decisions that it is empowered to make under Article 17 of the Kyoto Protocol concerning the establishment of rules and procedures for international emissions trading, isn't it premature for the Administration to forecast definitively that the agreement would result in, at most, modest energy price hikes?

36a. With respect to the rules and procedures for international emissions trading that have yet to be developed, what are the minimum requirements that the Administration is seeking to assure an efficient and effective system for lowering the costs of emissions reductions?

36b. Does the Administration intend to confer with Congress and obtain comments from Congress and the public in developing negotiating positions for Buenos Aires on rules and procedures for an international emissions trading system and for obtaining joint implementation project credit, including the Clean Development Mechanism?

37a. Why does the Administration believe it can obtain meaningful participation by developing countries and what steps is the Administration taking to achieve this? What indications of potential meaningful participation have been shown by developing countries that prompt this optimism?

37b. In particular, what are the steps being taken with respect to China, India, Mexico, Brazil, and South Korea and what indications of potential meaningful participation has the Administration received from these countries?

37c. Which countries does the Administration consider "key," in assuring that "meaningful participation" is secured?

38. 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"? Is it appropriate for the Administration to extrapolate from that experience to the global arena? Won't the effectiveness of the international system, joint implementation, and the Clean Development Mechanism depend on such factors as the rules and procedures governing these mechanisms, the extent of participation by other countries, including developing countries, etc?

39a. 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 and emerging countries (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.

39b. 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.

Definitions and Instructions for the Production of Records

1. When a request calls for the production of records, the Subcommittee requests all responsive records that EPA has in its possession, custody, or control through the date of the final submission of records to the Subcommittee, unless the request clearly states that the Subcommittee is only interested in records EPA received during a particular time period.

2. Please sequentially number all records that you produce to the Subcommittee, and indicate the source of any record if the source is not accurately reflected on the record itself. Please submit all records on single-sided paper and submit an inventory of records produced if the volume is more than 100 pages.

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2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

Majority (202) 225-[illegible]
Minority (202) 225-[illegible]
TTY (202) 225-[illegible]

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

Facsimile Cover Letter

The Honorable
To: FRANKIN RAINES

Total Number of Pages (including cover sheet) 14

Fax #: 395-3888

From:

✓ Chairman David M. McIntosh

____Mildred J. Webber - Staff Director
(Mildred.Webber@mail.house.gov)

____J. Keith Ausbrook - Senior Counsel
(Keith.Ausbrook@mail.house.gov)

____Larisa Dobriansky - Senior Counsel
(Larisa.Dobriansky@mail.house.gov)

____Jay Apperson - Special Counsel
(Jay.Apperson@mail.house.gov)

____Andrew Wilder - Subcommittee Clerk
(Andrew.Wilder@mail.house.gov)

____Steve Silbiger - Counsel
(Steve.Silbiger@mail.house.gov)

____Sean Cunningham - Counsel
(Sean.Cunningham@mail.house.gov)

____Karen Barnes- Professional Staff
(Karen.Barnes @mail.house.gov)

____Barbara Kahlow -Professional Staff
(Barbara.Kahlow@mail.house.gov)