



OFFICE OF THE VICE PRESIDENT
WASHINGTON

March 31, 2003

Dear Mr. Cicio:

Thank you for your February 14, 2003 letter concerning the Clear Skies Act. We welcome your current and future input on the impact of the Clear Skies Act on the industrial combined heat and power (CHP) industry.

I appreciate the concerns that you have raised in your letter with regard to the inclusion of industrial combined heat and power, and wish to assure you that the issues you raise were considered by the Administration in the development of the Clear Skies Act. The Administration sought to find the balance between capturing significant emissions from the electric generation sector in the most cost-effective and flexible approach and encouraging the important environmental benefits of combined heat and power. As you discussed in your letter, the intent of the Act is to be consistent with the President's National Energy Plan that recognizes the importance of combined heat and power and the need to expand its use in an effort to help meet U.S. energy requirements. Therefore, Clear Skies exempts combined heat and power units that do not sell significant amounts of electricity and consequently would not be competing in the electricity power market. Only those CHP plants that sell a significant amount of electricity would be covered by Clear Skies.

Because Clear Skies adopts a flexible market-based approach to achieving reductions, CHP plants that are affected by Clear Skies and are already relatively cleaner than other power generators would not have to significantly reduce their emissions. Under the trading program, relatively lower emitting CHP plants may be able to sell allowances (the authorizations to emit a unit of pollution in the trading program), to less efficient plants who need to purchase allowances for compliance. In contrast, CHP plants not covered by Clear Skies are likely to face further complicated and burdensome regulations under the existing Clean Air Act. For those units affected by Clear Skies, the program would replace or modify existing Clean Air Act regulations (e.g., new source review (NSR)).

As the Clear Skies Act moves through Congress, I will encourage the Environmental Protection Agency and other members of the Administration to continue to meet with your representatives to discuss further how we can best encourage combined heat and power. I also

thank you for your engagement in this policymaking process and invite you to contact Kevin O'Donovan, Special Assistant for Domestic Policy in the Office of the Vice President, if you wish to discuss this matter further. He can be reached at (202) 456-7409.

Sincerely,

A handwritten signature in black ink, appearing to read "Cesar Conda". The signature is fluid and cursive, with the first name "Cesar" and last name "Conda" clearly distinguishable.

Cesar Conda
Assistant to the Vice President
For Domestic Policy

Mr. Paul N. Cicio
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